

Tax Tips You Can Use



Oregon Special Medical Deduction
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Although there have been many changes to federal tax code in recent years, the Oregon personal income tax laws have been steady...until this year. The Oregon legislature has made numerous changes, but one in particular will affect most older people in the state.

Up to 2013, the special medical deduction has allowed taxpayers, who itemize, to deduct 100% of the medical expenses for the entire family if anyone of the taxpayers was at least 62 on December 31 of the tax year. That deduction has been eliminated and replaced with a less valuable subtraction. Also, the age of eligibility goes up over time and reaches 66 instead of 62 by 2020.

The subtraction has several restrictions. First, it is only for a taxpayer over the age requirement. That means that taxpayers must separate their medical expenses, including mileage between each member of the family and only those expenses for the 62 or older taxpayer are used in the calculation. If both taxpayers are 62 or older, they still must separate their expenses because one may have few expenses and will get a reduced amount. The subtraction is only for taxpayers, so a dependent parent, for example, cannot take any subtraction. Next, it is limited to \$1800 per taxpayer or \$3600 per joint return. Actually, there is a "means test" so that higher income returns get less of a subtraction. For a joint return, if the adjusted gross income is between \$50,000 and \$100,000, the limit is \$1400. Adjusted gross incomes between \$100,000 and \$200,000 are limited to a \$1000 subtraction per taxpayer. Above \$200,000, the subtraction is eliminated. These amounts are halved for single filers.

In practice, what this means is that, since I turned 62 in 2012, I got to take the 7.5% of my Adjusted Gross Income that was not allowed as an itemized deduction as the special medical deduction on my Oregon return. For 2013, I need to separate my medical expenses from my husband's and other family members and then proportion the amount the IRS eliminated off my schedule A to see how much was mine. Then I need to see what limits my other income imposes. Only then can I

calculate what subtraction is allowed.

The good news is that the subtraction is independent of filing a schedule A, so it appears that even people who do not itemize will be allowed to take the subtraction. Now even a small amount of expense will help those over 62. Keep those receipts!

As a note, taxpayers should be aware that all of the pharmacies in this area, most doctors, dentists and each of the hospitals will print an annual summary of amounts paid if you ask for it. Now there is no need to fish around for the little slips of paper.

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The fine print: This article is for information only. Please see your tax professional for questions about your individual tax situation.