Tax Tips for Disabled Taxpayers

Article Highlight:

- Increased Standard Deduction
- Tax Exempt Income
- Impairment-Related Work Expenses
- Earned Income Tax Credit
- Credit for the Elderly or Disabled
- Child or Dependent Care Credit
- Special Medical Deductions
- Qualified Medicaid Waiver Payments
- ABLE Accounts

Taxpayers with disabilities may qualify for a number of tax credits and benefits. Parents of children with disabilities may also qualify. Listed below are several tax credits and other benefits that are available if you or someone else listed on your federal tax return is disabled.

1. **Increased Standard Deduction** – If a tax return filer and/or spouse are legally blind, they are entitled to a higher standard deduction on their tax return.

2. **Exclusions from Gross Income** - Certain disability-related payments, Veterans Administration disability benefits, and Supplemental Security Income are excluded from gross income.

3. **Impairment-Related Work Expenses** - Employees, who have a physical or mental disability limiting their employment, may be able to claim business expenses in connection with their workplace. The expenses must be necessary for the taxpayer to work.

4. **Credit for the Elderly or Disabled** - This credit is generally available to certain taxpayers who are 65 and older, as well as to certain disabled taxpayers who are younger than 65 and are retired on permanent and total disability.

5. **Earned Income Tax Credit** - EITC is available to disabled taxpayers as well as to the parents of a child with a disability. If you retired on disability, taxable benefits that were received under your employer's disability retirement plan are considered earned income until a minimum retirement age is reached. The EITC is a tax credit that not only reduces a taxpayer's tax liability but may also result in a refund. Many working individuals with a disability who have no qualifying children, but are older than 25 and younger than 65, may qualify for EITC. Additionally, if the taxpayer's child is disabled, the age limitation for the EITC is waived. The EITC has no effect on certain public benefits. Any refund that is received because of the EITC will not be considered income when determining whether a taxpayer is eligible for benefit programs, such as Supplemental Security Income and Medicaid.

6. **Child or Dependent Care Credit** - Taxpayers who pay someone to come to their home and care for their dependent or disabled spouse may be entitled to claim this credit. For children this credit is usually limited to the care expenses paid only until age 13, but there is no age limit if the child is unable to care for him- or herself.

7. **Special Medical Deductions** – In addition to conventional medical deductions, the tax code provides special medical deductions related to disabled taxpayers and dependents. They include:

    - **Impairment-Related Expenses -** Amounts paid for special equipment installed in the home, or for improvements, may be included in medical expenses, if their main purpose is medical care for the taxpayer, the spouse, or a dependent. The cost of permanent improvements that increase the value of the property may only be partly included as a medical expense.

- **Learning Disability -** Tuition fees paid to a special school for a child who has severe learning disabilities caused by mental or physical impairments, including nervous system disorders can be included in medical expenses. A doctor must recommend that the child attend the school. Tutoring fees recommended by a doctor for the child's tutoring by a teacher who is specially trained and qualified to work with children who have severe learning disabilities might also be included.

- **Drug Addiction -** Amounts paid by a taxpayer to maintain a dependent in a therapeutic center for drug addicts, including the cost of the dependent's meals and lodging, are included in medical expenses.

8. **Exclusion Of Qualified Medicaid Waiver Payments** –Payments made to care providers caring for related individuals <u>in the provider's home</u> are excluded from the care provider's income. Qualified foster care payments are amounts paid under the foster care program of a state (or political subdivision of a state or a qualified foster care placement agency). For more information please call.

9. **ABLE Accounts** - Qualified ABLE programs provide the means for individuals and families to contribute and save for the purpose of supporting individuals with disabilities in maintaining their health, independence, and quality of life.

   Federal law enacted in 2014 authorizes the States to establish and operate an ABLE program. Under the ABLE program, an ABLE account may be set up for any eligible state resident, which would generally be the only person who could take distributions from the account. ABLE accounts are very similar in function to Sec 529 plans. However, they should not be considered as estate planning devices, as is sometimes the case with 529 plans; the main purpose of ABLE accounts is to shelter assets from means testing required by government benefit programs. Individuals can contribute to ABLE accounts subject to Gift Tax limitations. Distributions to the disabled individual are tax free if the funds are used for qualified expenses of the disabled individual. These accounts are new and must be established at the state level before taxpayers can start making contributions to them. Call the office for more information.

For more information on tax credits and benefits available to disabled taxpayers, please consult this office.