

Positive Prognosis for Medical Deductions

Many miscellaneous itemized deductions, including unreimbursed employee business expenses (see the Sapient CPA Client Bulletin, February 2018), no longer can be used to reduce your income, starting with 2018 tax returns. Some observers predicted a similar demise for medical and dental expenses. As it turned out, these deductions not only were retained, the tax benefit was enhanced.

Playing the Percentages

Under the law in effect during 2017, unreimbursed medical and dental expenses could be deducted only to the extent they exceeded 10% of adjusted gross income (AGI).

Example: Ivan Larson had \$100,000 of AGI in 2017 and \$9,100 of unreimbursed medical or dental expenses. Because 10% of his AGI was \$10,000, Ivan's outlays were under the threshold, so he wasn't expecting a tax deduction for them.

Surprisingly, the TCJA lowered the threshold to 7.5% of AGI, effective for 2017 and 2018. For Ivan, that was \$7,500 of expenses (7.5% of his \$100,000 AGI), so his deduction for last year was \$1,600 (his \$9,100 of costs minus the \$7,500 threshold).

Under the TCJA, the threshold will move back to 10% of AGI next year. Therefore, you may want to accelerate elective medical expenses such as prescription sunglasses and tooth implants into 2018.

If you plan to incur such expenses this year, before they may be absolutely necessary, you should be confident that your total of unreimbursed medical and dental costs will exceed 7.5% of AGI in 2018. You also should believe that you won't be taking the standard deduction: \$12,000 this year for Ivan, a single taxpayer.

Unless you itemize deductions and your total of unreimbursed medical and dental costs will top 7.5% of AGI, accelerating elective outlays into 2018 will be a wasted effort. You'll be better off waiting until 2019 to make such payments when they might be tax deductible under the law that will be in effect then.