

Medical Deduction Reference Guide 2022

Purpose: This Q&A represents a collection of LHA questions regarding medical deductions.

Part I: Questions and Answers

Q1: *Is IRS Publication 502 what to use to determine if an expense can be a medical deduction?*

ANSWER: 760 CMR 6.05 and DHCD's guidance determines what deductions are allowable for rent determination in state-aided public housing. There are many areas where DHCD guidance and IRS Publication 502 align, so DHCD does reference the materials when appropriate. PHN 2007-10 *Clarification of Allowable Medical Expenses When Determining Net Household Income* directs authorities to use the medical deduction standards set by the U.S. Department of Treasury's Internal Revenue Service (IRS). IRS Publication 502 can be used as a discussion tool with your Housing Management Specialist if DHCD guidance is not found for a specific situation you have encountered. If you have questions, please contact your Housing Management Specialist.

Q2: *What is the language in the Rent Determination regulation 760 CMR 6.00 that describes allowable medical deductions?*

ANSWER: 760 CMR 6.05(4)(e) "Payments for necessary medical expenses (including co-payment amounts) which are not covered by insurance or otherwise reimbursed, provided that such expenses are in excess of 3% of annual gross household income and are paid by household members. Payments for medical health insurance are considered medical expenses."

Q3: *What Are Medical Expenses?*

ANSWER: According to IRS Publication 502:

Medical expenses are the costs of diagnosis, cure, mitigation, treatment, or prevention of disease, and for the purpose of affecting any part or function of the body. These expenses include payments for legal medical services rendered by physicians, surgeons, dentists, and other medical practitioners. They include the costs of equipment, supplies, and diagnostic devices needed for these purposes.

They don't include expenses that are merely beneficial to general health.
(reference: IRS Publication 502)

Q4: *How does an LHA determine if the procedure was a "legal medical service"?*

ANSWER: The tenant will need to provide documentation sufficient that the housing authority can verify the eligibility of the deduction.

Q5: What should LHAs understand about medical deductions and how to calculate them?

ANSWER: The Medical Deduction is the amount paid for necessary medical expenses in excess of 3% of annual gross household income. In determining the amount to be deducted, the LHA will only include medical expenses paid by the tenant household that are not compensated for or covered by insurance. Costs for medical health insurance are considered medical expenses.

LHAs must verify that all amounts are personally paid by the tenant household for medical health insurance and uncompensated medical expenses. If a tenant household has two or more medical insurance policies that he/she pays for and provides verification of, then the entire amount paid may be included.

Q6: Is there a cap on how much a tenant may claim in medical deductions?

ANSWER: There is no limit on the amount of medical expenses that can be deducted over 3% of gross household income. However, deductions cannot result in a negative rent.

Q7: *How is the allowable medical deduction amount calculated?*

ANSWER:

- A. Verify and total all medical expenses paid;
- B. Calculate three percent (3%) of the gross household income;
- C. Subtract letter B above from letter A above. The difference is the allowable deduction amount.

Q8: *Are there references that can assist an LHA in determining whether or not a medical expense is deductible?*

ANSWER: Yes, an LHA can use the following publications as guides:

- [Public Housing Notice 2007-10: Clarification of Allowable Medical Expenses when determining Net Household Income](#)
- [Public Housing Notice 2008-11: Policy for Service Animal Expense Deductions](#)
- [IRS Publication 502](#),

- Eligible purchases under Healthcare Flexible Spending Accounts (many pharmacies have online lists of eligible expenses, such as CVS, Walgreens, etc.

However, to qualify as a medical deduction under state public housing regulations, the tenant must document that the purchases were prescribed by a physician or other healthcare professional (and are therefore medically necessary) to treat a diagnosed condition. The physician/healthcare provider does not have to identify the medical condition.

Q9: *What types of verification can an LHA request to determine the amount of allowable medical deduction?*

ANSWER: Paid receipts for medical cost such as: print out from pharmacy; cancelled checks paid to a health care provider (physicians, nurses, dentists, opticians, mental health practitioners, osteopaths, chiropractors, acupuncture practitioners, Christian Science practitioners., hospitals, medical facilities, nursing services). Payment by credit card of a medical expense does not affect the eligibility of the deduction.

Letter from a medical practitioner recommending non-prescription or nutritional supplements to treat a specific medical condition diagnosed by a physician or other healthcare professional. The letter does not have to identify what the medical condition is, but rather that the non-prescription or nutritional supplements are prescribed to treat a medical condition.

Q10: *Is Life Insurance an allowable medical deduction?*

ANSWER: No, it is not.

Q11: *A tenant has provided verification of their current, monthly health insurance costs. Can the LHA use the current monthly health insurance costs instead of the actual cost paid in the prior 12 months?*

ANSWER: Yes. Unlike other medical costs that vary monthly and are subject to possible reimbursement, health insurance premiums are a predictable, verifiable cost. LHAs may elect to use current monthly health insurance premiums. However, the LHA should adopt this policy as part of the LHA Rent Collection Policy and apply it consistently with all tenant households.

Q12: *Does a tenant need a doctor's prescription for a Service Animal to verify it is a medically necessary?*

ANSWER: No.

Q13: *Can you clarify if a housing authority must conduct an interim re-determination every time a tenant has an increase in medical costs? For example, the tenant's payment for Medicare or some other medical insurance increases and she has requested an interim re-determination, stating that her household income has decreased because of the payment.*

ANSWER: A change in medical expenses is not a change in gross household income. If a tenant informs the housing authority that there has been a reduction (or increase) in gross household income, the housing authority should conduct an interim re-determination according to 760 CMR 6.04 (5). A change in medical expenses alone does not trigger an interim re-determination unless the housing authority has adopted a rent determination policy that would allow interim re-determinations of rent based upon a change in medical deductions.

Q14: *Are wheelchairs that were NOT prescribed by a physician a medical deduction?*

ANSWER: You can include in medical expenses the amounts you pay for a wheelchair used for the relief of a sickness or disability. The cost of operating and maintaining the wheelchair is also a medical expense.

Q15: *A tenant would like to claim the cost of internet, phone, or cable as an allowable medical expense based on a need for these services to conduct telehealth appointments, internet therapy, etc. Would this be an allowable medical deduction?*

ANSWER: The tax code can provide helpful guidance in evaluating a claim like this. IRS Publication 502 allows medical deductions for the cost of "Medical care". "Medical care" is defined as; *amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting a structure or function of the body.*

You can't include in medical expenses the cost of an item ordinarily used for personal, living, or family purposes unless it is used primarily to prevent or alleviate a physical or mental disability or illness.

If a tenant is claiming the cost of internet, phone or cable in relation to telehealth appointments, IRS guidance requires that the individual demonstrate that the claimed expense would not have been incurred "but for" the disease or illness. If the tenant would have incurred the cost in the absence of the medical condition, the cost is not deductible.

Q16: *Does a medical deduction need to be recurring? Or, can it be a onetime expense?*

ANSWER: A medical deduction can be recurring or a onetime expense.

Q17: *Would a CVS printout require other documentation that the tenant self-paid?*

ANSWER: Pharmacies often provide printouts that show the amount a person has paid. If the pharmacy printout includes this, it can be used to show the expense the person has paid.

Q18: *Would (pet) health insurance be an approved expense for animal?*

ANSWER: Tenants cannot claim medical deductions for pets.

Q19: *I have a tenant with an autoimmune disease. She has a service that delivers her meals. Is this considered a medical expense? If not, is it a deduction?*

ANSWER: A service that provides meal delivery to an individual with a medical condition is not a medical deduction.

Q20: *Lifeline-type alert systems seem like they would not qualify for a medical deduction. Is that the case?*

ANSWER: Generally, no, it would not qualify for a medical deduction. However, some medical alert companies store patient information and are paid to provide the stored medical information to medical personnel in an emergency. According to IRS Publication 502, such a provider would qualify as a medical expense:

“Medical Information Plan

You can include in medical expenses amounts paid to a plan that keeps medical information in a computer data bank and retrieves and furnishes the information upon request to an attending physician.”

Q21: *Please clarify the separate deduction for disabled tenants that is not capped by costs in excess of 3% of annual gross household income the way that medical deductions are typically capped under 760 CMR 6.05(4)(e).*

ANSWER: Allowable deductions from gross household income are detailed in 760 CMR 6.05 (4). There are ten categories of deductions. Medical deductions are contained in subparagraph (e) and are limited to costs in excess of 3% of annual gross household income.

(e) Payments for necessary medical expenses (including co-payment amounts) which are not covered by insurance or otherwise reimbursed, provided that such expenses are in excess of 3% of annual gross household income and are paid by household members. Payments for medical health insurance are considered medical expenses

Two of the ten categories of deductions are specific to household members with a disability.

The first is contained in sub-paragraph (i), and relates to non-reimbursable payments for necessary housekeeping or personal care services required by a household member with a disability.

(i) Non-reimbursable payments for reasonable and necessary housekeeping or personal care services for a household member with a disability who as a result of the disability is physically unable to perform the housekeeping or personal care services provided that no household member is reasonably available to perform these services.

The second disability related deduction is contained in subparagraph (j) and relates to the increase in transportation costs that are incurred as a result of a disability.

(j) Travel expense, in excess of the cost of the least expensive available transportation, for a household member with a disability who as a result of the disability is physically unable to use the least expensive available transportation and who uses the least expensive transportation practical in connection with necessary activities which cannot be performed by another household member

Although the costs are disability related, they are not medical costs, and the allowable deduction is not capped by costs in excess of 3% of annual gross household income.

Q22: *Should we include the cost of obtaining the medical card for medical marijuana?*

ANSWER: Yes. However, as with all medical costs, verification must be provided.

Q23: *Do we give any consideration such as the difference in cost for specialized clothing required for a disability or medical need or only if the items are specifically prescribed?*

ANSWER: Per IRS Publication 502, you can't include in medical expenses the cost of an item ordinarily used for personal, living, or family purposes unless it is used primarily to prevent or alleviate a physical or mental disability or illness. Clothing generally is a nondeductible personal expense.

However, in order to accommodate an individual with a physical disability, a tenant may have to purchase an item ordinarily used as a personal, living, or family item in a special form. You can include the excess of the cost of the item in a special form over the cost of the item in normal form as a medical expense.

Q24: *How many months do we go back to do an interim re-determination if it started in January but tenant doesn't turn it in until February?*

ANSWER: When there is an increase to income, the new rent is retroactive to date the change in income happened, and on a date that complies with the notice requirements of 760 CMR 6.04 (5). The section reads in part:

The tenant shall report the increase to the LHA by the seventh day of the month following the month in which the increase occurred, provided that if the increase was anticipated in the prior computation of gross household income, the tenant need not report the increase.

The LHA shall require verification of such increase in income. If as a result the amount of rent increases, at least 14 days before the effective date of a rent increase, the LHA shall give the tenant a written notice of the re-determined rent. Any such increase in rent shall be made effective on the first day of a month.

When there is a decrease in income, the new rent goes into effect the month following the date the reduction is reported to the LHA and verification provided by the tenant.

Q25: *Are incontinence supplies a medical deduction?*

ANSWER: The IRS Publication 502 states: “*Medical expenses are the costs of diagnosis, cure, mitigation, treatment, or prevention of disease, and for the purpose of affecting any part or function of the body*”. If the tenant provides verification that incontinence supplies are necessary for the mitigation of the effects of a disease, then yes, they are deductible as a medical expense.

Q26: *Would the cost of nutraceuticals be a medical deduction?*

ANSWER: As IRS [Publication 502 \(2021\), Medical and Dental Expenses](#) notes, “*You can't include in medical expenses the cost of nutritional supplements, vitamins, herbal supplements, “natural medicines,” etc., unless they are recommended by a medical practitioner as treatment for a specific medical condition diagnosed by a physician. These items are taken to maintain your ordinary good health and aren't for medical care.*

A nutraceutical is defined as “a foodstuff (such as a fortified food or dietary supplement) that provides health benefits in addition to its basic [nutritional](#) value” (Merriam-Webster).

Such purchases could be an allowable medical deduction if the tenant provides documentation of a medical need, recommended by a medical practitioner as treatment for a diagnosed condition.

Q27: *Homeopathies: If a Doctor of Naturopathic Medicine uses non-prescribed medications but, tenant alleged that s/he needs to take these meds, is this tenant eligible for medical expense deductions? If yes, what are the requirements to proof that tenant needs these meds?*

ANSWER: Yes, if tenant provides documentation of medical need prescribed by a physician or other health care professional to treat a diagnosed condition.

Q28: *If a tenant travels to receive medical care, are their travel expenses and living expenses deductible for the travel?*

ANSWER: Yes, up to a limit. IRS Publication 502 gives guidance on this matter.

The following information is taken directly from IRS Publication 502:

You can include in medical expenses amounts paid for transportation primarily for, and essential to, medical care.

Car expenses. *You can include out-of-pocket expenses, such as the cost of gas and oil, when you use a car for medical reasons. You can't include depreciation, insurance, general repair, or maintenance expenses.*

If you don't want to use your actual expenses for 2021, you can use the standard medical mileage rate of 16 cents a mile.

You can also include parking fees and tolls. You can add these fees and tolls to your medical expenses whether you use actual expenses or the standard mileage rate.

Trips: *You can include in medical expenses amounts you pay for transportation to another city if the trip is primarily for, and essential to, receiving medical services. You may be able to include up to \$50 for each night for each person. You can include lodging for a person traveling with the person receiving the medical care. For example, if a parent is traveling with a sick child, up to \$100 per night can be included as a medical expense for lodging. Meals aren't included.*

Q29: *My housing authority has a policy that air conditioners must be removed from all windows after October 1 every year. Is an air conditioning unit allowable if the household provides a letter from a physician or other medical professional stating the resident's need for the unit to mitigate the effects of a medical condition?*

ANSWER: Yes

The following offers links to documents that can provide additional guidance and clarification.

Federal

- [IRS Publication 502](#)

Massachusetts

- [760 CMR 6.05](#) (4)(e) Medical Deductions
- [760 CMR 6.05](#) (i) & (j) Disability related deductions
- [07-10.pdf \(mass.gov\)](#) DHCD PHN 2007-10 Clarification of Allowable Medical Expenses When Determining Net Household Income
- [DHCD PHN 2008-11: Policy for Service Animals Expense Deductions](#)
- **DHCD Rent Calculation A to Z** (For a copy of this document, please contact a Housing Management Specialist at DHCD)