

Eight Things to Know about Medical and Dental Expenses and Your Taxes

If you, your spouse or dependents had significant medical or dental costs in 2011, you may be able to deduct those expenses when you file your tax return. Here are eight things the IRS wants you to know about medical and dental expenses and other benefits.

1. You must itemize You deduct qualifying medical and dental expenses if you itemize on Form 1040, Schedule A.
2. Deduction is limited You can deduct total medical care expenses that exceed 7.5 percent of your adjusted gross income for the year. You figure this on Form 1040, Schedule A.
3. Expenses must have been paid in 2011 You can include the medical and dental expenses you paid during the year, regardless of when the services were provided. You'll need to have good receipts or records to substantiate your expenses.
4. You can't deduct reimbursed expenses Your total medical expenses for the year must be reduced by any reimbursement. Normally, it makes no difference if you receive the reimbursement or if it is paid directly to the doctor or hospital.
5. Whose expenses qualify You may include qualified medical expenses you pay for yourself, your spouse and your dependents. Some exceptions and special rules apply to divorced or separated parents, taxpayers with a multiple support agreement or those with a qualifying relative who is not your child.
6. Types of expenses that qualify You can deduct expenses primarily paid for the diagnosis, cure, mitigation, treatment or prevention of disease, or treatment affecting any structure or function of the body. For drugs, you can only deduct prescription medication and insulin. You can also include premiums for medical, dental and some long-term care insurance in your expenses. Starting in 2011, you can also include lactation supplies.
7. Transportation costs may qualify You may deduct transportation costs primarily for and essential to medical care that qualify as medical expenses. You can deduct the actual fare for a taxi, bus, train, plane or ambulance as well as tolls and parking fees. If you use your car for medical transportation, you can deduct actual out-of-pocket expenses such as gas and oil, or you can deduct the standard mileage rate for medical expenses, which is 19 cents per mile for 2011.
8. Tax-favored saving for medical expenses Distributions from Health Savings Accounts and withdrawals from Flexible Spending Arrangements may be tax free if used to pay qualified medical expenses including prescription medication and insulin.