

Modification of Itemized Deduction for Medical Expenses

Summary: Increases the adjusted gross income threshold for claiming the itemized deduction for medical expenses from 7.5 percent to 10 percent. Individuals age 65 and older would be able to claim the itemized deduction for medical expenses at 7.5 percent of adjusted gross income through 2016.

Next steps:

- January 1, 2013 – Provision goes into effect for those under 65.
- January 1, 2017 – Provision goes into effect for those over 65.

Additional information:

- Internal Revenue Service (IRS) Topic 502 – Medical and Dental Expenses --
<http://www.irs.gov/taxtopics/tc502.html>
- National Council of State Legislatures Summary of Tax Provisions (including timeline) –
<http://www.ncsl.org/documents/health/TimelineSumTax.pdf>
- Downey and Company summary of tax provisions --
<http://www.downeycocpa.com/TaxImplicationsofHealthcareReform>

Long summary:

Sec. 9013. Modification of itemized deduction for medical expenses.

Increases the threshold for the itemized deduction of medical expenses from 7.5% to 10% of adjusted gross income (AGI). Retains the 7.5% threshold for Individuals age 65 and older through 2016.

Effective date. Effective for taxable years after December 31, 2012.

Legislative text:

SEC. 9013. MODIFICATION OF ITEMIZED DEDUCTION FOR MEDICAL EXPENSES.

(a) IN GENERAL.—Subsection (a) of section 213 of the Internal Revenue Code of 1986 is amended by striking “7.5 percent” and inserting “10 percent”.

(b) TEMPORARY WAIVER OF INCREASE FOR CERTAIN SENIORS.— Section 213 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(f) SPECIAL RULE FOR 2013, 2014, 2015, AND 2016.—In the case of any taxable year beginning after December 31, 2012, and ending before January 1, 2017, subsection (a) shall be applied with respect to a taxpayer by substituting ‘7.5 percent’ for ‘10 percent’ if such taxpayer or such taxpayer’s spouse has attained age 65 before the close of such taxable year.”.

(c) CONFORMING AMENDMENT.—Section 56(b)(1)(B) of the Internal Revenue Code of 1986 is amended by striking “by substituting ‘10 percent’ for ‘7.5 percent’” and inserting “without regard to subsection (f) of such section”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2012.

