

Claiming an Elderly Parent as a Dependent

Are you taking care of an elderly parent or relative? According to the U.S. Census Bureau, there were 43.1 million people age 65 and older in the United States in 2012, nearly 15 percent of the total population.

Whether it's driving to doctor appointments, paying for nursing home care or medical expenses, or handling their personal finances, dealing with an elderly parent or relative can be emotionally and financially draining, especially when you are taking care of your own family as well.

Fortunately, there is some good news: You may be able to claim your elderly relative as a dependent come tax time, as long as you meet certain criteria.

Here's what you should know about claiming an elderly parent or relative as a dependent.

Who qualifies as a dependent?

The IRS defines a dependent as a qualifying child or relative. A qualifying relative can be your mother, father, grandparent, stepmother, stepfather, mother-in-law, or father-in-law, for example, and can be any age.

There are four tests that must be met in order for a person to be your qualifying relative: not a qualifying child test, member of household or relationship test, gross income test, and support test.

Not a Qualifying Child

Your parent (or relative) cannot be claimed as a qualifying child on anyone else's tax return.

Residency

He or she must be U.S. citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico; however, a parent or relative doesn't have to live with you in order to qualify as a dependent.

If your qualifying parent or relative does live with you however, you may be able to deduct a percentage of your mortgage, utilities and other expenses when you figure out the amount of money you contribute to his or her support.

Income

To qualify as a dependent, income cannot exceed the personal exemption amount, which in 2014 is \$3,950. In addition, your parent or relative, if married, cannot file a joint tax return with his or her spouse unless that joint return is filed only to claim a refund of withheld income tax or estimated tax paid.

Support

You must provide more than half of a parent's total support for the year such as costs for food, housing, medical care, transportation and other necessities.

Claiming the Dependent Care Credit

You may be able to claim the child and dependent care credit if you paid work-related expenses for the care of a qualifying individual. The credit is generally a percentage of the amount of work-related expenses you paid to a care provider for the care of a qualifying individual. The percentage depends on your adjusted gross income. Work-related expenses qualifying for the credit are those paid for the care of a qualifying individual to enable you to work or actively look for work.

In addition, expenses you paid for the care of a disabled dependent may also qualify for a medical deduction (see next section). If this is the case, you must choose to take either the itemized deduction or the dependent care credit. You cannot take both.

Claiming the Medical Deduction

If you claim the deduction for medical expenses, you still must provide more than half your parent's support; however, your parent doesn't have to meet the income test.

The deduction is limited to medical expenses that exceed 10 percent of your adjusted gross income (7.5 percent if either you or your spouse was born before January 2, 1949), and you can include your own unreimbursed medical expenses when calculating the total amount. If, for example, your parent is in a nursing home or assisted-living facility. Any medical expenses you paid on behalf of your parent are counted toward the 10 percent figure. Food or other amenities however, are not considered medical expenses.

What if you share caregiving responsibilities?

If you share caregiving responsibilities with a sibling or other relative, only one of you--the one proving more than 50 percent of the support--can claim the dependent. Be sure to discuss who is going to claim the dependent in advance to avoid running into trouble with the IRS if both of you claim the dependent on your respective tax returns.

Sometimes, however, neither caregiver pays more than 50 percent. In that case you'll need to fill out IRS Form 2120, Multiple Support Declaration, as long as you and your sibling both provide at least 10 percent of the support towards taking care of your parent.

The tax rules for claiming an elderly parent or relative are complex. If you have any questions, please give us a call. We're here to help you.