



## **5 potential tax breaks to know before moving a parent into a nursing home**

Approximately 1.3 million Americans live in nursing homes, according to the National Center for Health Statistics. If you have a parent moving into one, taxes are probably not on your mind. But there may be tax implications. Here are five possible tax breaks.

### **1. Long-term medical care**

The costs of qualified long-term care, including nursing home care, are deductible as medical expenses to the extent they, along with other medical expenses, exceed 7.5% of adjusted gross income (AGI).

Qualified long-term care services are necessary diagnostic, preventive, therapeutic, curing, treating, mitigating and rehabilitative services, and maintenance or personal-care services required by a chronically ill individual that are provided by a licensed healthcare practitioner.

To qualify as chronically ill, a physician or other licensed healthcare practitioner must certify an individual as unable to perform at least two activities of daily living (eating, toileting, transferring, bathing, dressing and continence) for at least 90 days due to a loss of functional capacity or severe cognitive impairment.

### **2. Nursing home payments**

Amounts paid to a nursing home are deductible as medical expenses if a person is staying at the facility principally for medical, rather than custodial care. If a person isn't in the nursing home principally to receive medical care, only the portion of the fee that's allocable to actual medical care qualifies as a deductible expense. But if the individual is chronically ill, all qualified long-term care services, including maintenance or personal care services, are deductible.

If your parent qualifies as your dependent, you can include any medical expenses you incur for your parent along with your own when determining your medical deduction.

### **3. Long-term care insurance**

Premiums paid for a qualified long-term care insurance contract are deductible as medical expenses (subject to limitations explained below) to the extent they, along with other medical expenses, exceed the percentage-of-AGI threshold. A qualified long-term care insurance contract covers only qualified long-term care services, doesn't pay costs covered by Medicare, is guaranteed renewable and doesn't have a cash surrender value.

Qualified long-term care premiums are includible as medical expenses up to certain amounts. For individuals over 60 but not over 70 years old, the 2025 limit on deductible long-term care insurance premiums is \$4,810, and for those over 70, the 2025 limit is \$6,020.

### **4. The sale of your parent's home**

If your parent sells his or her home, up to \$250,000 of the gain from the sale may be tax-free. To qualify for the \$250,000 exclusion (\$500,000 if married), the seller must generally have owned and used the home for at least two years out of the five years before the sale. However, there's an exception to the two-out-of-five-year use test if the seller becomes physically or mentally unable to care for him- or herself during the five-year period.

### **5. Head-of-household filing status**

If you aren't married and your parent meets certain dependency tests, you may qualify for head-of-household filing status, which has a higher standard deduction and, in some cases, lower tax rates than single filing status. You might be eligible to file as head of household even if the parent for whom you claim an exemption doesn't live with you.

These are only some of the tax issues you may have to contend with when your parent moves into a nursing home. Contact us if you need more information or assistance.

© 2025