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Health Care Deductions, Some New Considerations

by Maureen E. Hook, Ph.D.

If you thought you knew how to handle health care deductions in the past, well think again. The rules have changed for 2013. Unfortunately, the changes are not in the consumer's favor. So, to be a savvy consumer, you need to keep in mind the following considerations.

1) There are new thresholds for itemized medical deductions.

Beginning in 2013 (unless you are 65 or older), the total cost of your medical expenses must be 10% of adjusted gross income (AGI), up from the previous level of 7.5% of AGI in order to claim those expenses as a medical deduction. AGI is your annual income minus certain deductions like moving costs, IRA contributions, student loan interest, etc. The prior amount was difficult enough to reach, and now it is set higher. One silver lining for those who turn 65 during the 2013 calendar year or are older than 65, the level will remain at 7.5% until 2017, when it too will change to the 10% level.

2) Shift medical expenses to alternating years. If there is any discretion in when you incur certain medical expenses like elective surgery or when you get those new frames for your prescription glasses, then please do so. What this will mean is that, at least in some years, you will have spent enough to claim the medical deduction. For example, in 2013, if your income were \$85,000 and your medical expenses were \$10,000, you could claim a medical deduction of \$1,500 (medical expenses{\$10,000} minus %10 of income{\$8,500}). In 2014, you might only have medical costs of \$2,500, but at least in 2013, you were able to claim the medical deduction instead of never.

3) Deduct medical expenses for a parent or grandparent, under certain conditions. Well here you may get a bonus-- if you pay for medical expenses for a dependent parent-- you can add those to your own medical

Health Care Deductions, Some New Considerations (con't.)

expenses when filing your tax return. That may allow you to meet the 10% threshold to make a claim. The one caveat is that in order to define your parent as dependent, you have to pay for over half of his/her living expenses during the year you are making the claim.

4) Long-term care insurance premiums can count as medical expenses. With certain limitations related to your age, you can count part of your long-term health insurance premiums as medical expenses. This can help you reach that magic 10% of AGI number to enable you to make a medical exemption claim. Consult yearly tables for the precise amount, because the amounts are adjusted annually for inflation. However, to give one example, at age 40 or younger, you can count \$350 of the long-term care premium; at ages 61-70, you can count \$3,640 of the premium (relative to age as of 12-31-2013).

5) Flexible spending accounts (FSA) are the flip side of medical exemption claims. If you can't meet the threshold of filing for a medical expenses claim, FSAs offer a back-door, if they are available through your place of employment. Starting this year, even though they will now be capped at \$2,500, a FSA allows you to set aside money in advance for medical expenses. Then, the amount that you set aside, is deducted from your taxable annual salary. In essence, you are paying for medical expenses tax-free!

So, be smart during 2013 and use the new rules to your advantage. Best of luck! (Bill Bischoff, "How to beat the new rules for health deductions," [Wall Street Journal](#), January 16, 2013.)



About Feral Cats

Hook Law Center: Kit Kat, can you tell us some things about feral cats? There have been some articles recently in the newspaper telling about the number of birds and small mammals that they kill each year. Is that really true?

Kit Kat: Well, not only feral cats, but domesticated cats that are allowed to roam free do kill many more animals and birds than previously thought. However, there are other causes for wildlife loss than free-roaming cats. Other causes are loss of habitat through development of natural areas, pollution, etc.--which are really related to humans.

About Feral Cats (con't.)

But feral cats are an interesting phenomenon. They actually are quite healthy and can live long lives. There have been some initiatives in cities like New York to actually construct outdoor shelters for them, because they keep the rat population in check. A shelter for a feral cat needs to have some ledges or perches to keep the cats off the ground when it is raining or very cold. But they don't need to be heated.

The best thing to do for feral cats is to trap them, neuter them, and then return them to their environment. It's called TNR--Trap-Neuter-Return. There are actually groups and vets that work as volunteers in some communities to do this. This is a better alternative than taking the feral cat to an animal shelter. By the time they are adults, feral cats cannot be domesticated. A shelter will have no alternative but to euthanize them eventually. Now if you can capture a feral cat's kittens while still young, they are adoptable. Actually, I am the kitten of a feral mother, so it can be done. I was taken in at the Hook's around 5 weeks of age. I was so young, my human mother had to feed me KMR (kitten milk replacement) from a can. I weighed 1 lb. 5oz then. Now I am 14 pounds!

So I hope you have learned some things about feral cats. When they are neutered, they pose no threat to the community, and they can actually keep down the rodent population. The most humane thing is to TNR them. They really are no different than other wild creatures like rabbits or raccoons or squirrels who have a life span that unfolds according to the laws of nature. (www.alleycat.org, "Get Informed: Discover the Truth about Feral Cats," 1-31-13)



Our New Website is Up and Running!

*Please visit
www.hooklawcenter.com
to see our fresh, new look.*

*You will still find the same helpful information,
archived editions of our newsletter and more!*

Upcoming Events

- Hook Law Center will be speaking on the subject of Making an Elder Law Practice More Efficient at the VAELA Conference on **February 23, 2013** in Charlottesville, VA.
- Hook Law Center is hosting a reception to benefit the Chesapeake Humane Society at Hook Law Center's Suffolk location, 5806 Harbour View Blvd., Suite 203, Suffolk, VA 23435 on **March 14, 2013** at **5:30 p.m.**
- Hook Law Center is presenting a seminar on Estate and Long Term Care Planning to NARFE (National Active & Retired Federal Employees) Churchland Chapter 129 at Dennis' Steak and Spaghetti Restaurant, 3356 Western Branch Blvd., Chesapeake, VA on **April 9, 2013** at **Noon**.
- Hook Law Center will be presenting a seminar on Estate Planning and Long-Term Care Planning to the Portsmouth Area Chapter of the Military Officers Association at the Hilton Garden Inn in Suffolk on **May 9, 2013** at **8:00 p.m.**
- Hook Law Center will be speaking on Reducing Medicare Liens at the Virginia Trial Lawyers Association meeting in Virginia Beach on **May 21, 2013** at **3:00 p.m.**
- Hook Law Center will be presenting at the VSB Trusts and Estates Section - Virginia State Bar - 75th VSB Annual Meeting in Virginia Beach on **June 14, 2013**.

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