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What You and Your Family Need to Know

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Tax, Legal, and Financial Considerations

The Myositis Association Conference September 15-18, 2011

Handouts

- Sample Tax Return (4 Pages)
- Doctor Letter Home Improvements
- Doctor Letter Caregiver
- Simple Holographic (Unwitnessed) Will
- Simple Witnessed Will
- California Statutory Health Care Directive (Page 1 Only)
- California Sample HIPAA Waiver
- California Statutory POLST form (2 Pages)
- Resources

Medical Expenses in General

- Deductible on your 1040
- 7.5% Floor
- so Commonly deductible medical expenses

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Commonly Deductible Medical Expenses

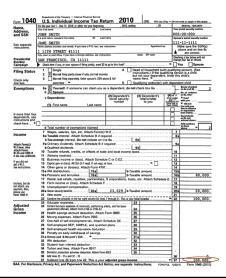
- Mospital services.
- Nursing services (including nurse's board when paid by the taxpayer).
- Medical, laboratory, surgical, dental and other diagnostic and healing services.
- X-rays.
- Medicine and drugs (limited to prescription medicine and insulin).
- Artificial limbs.
- Manual Ambulance hire.
- Transportation to and from medical facility.

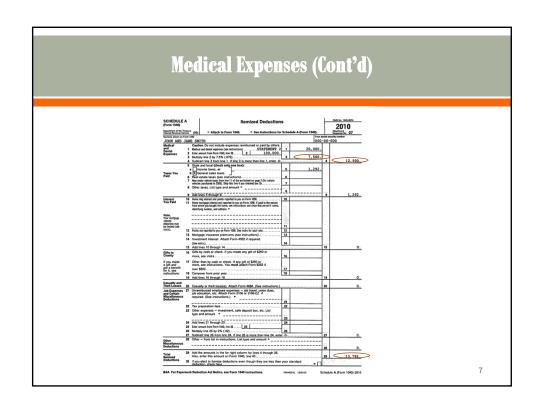
What is "Medical" and What is Not? — Examples

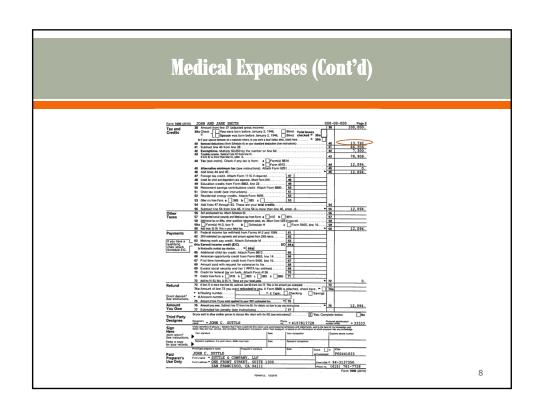
- Alternative or holistic expenditures yes
- so Administered by non-physician yes
- Physical therapy and personal trainer yes
- Vitamins − no
- Attending this conference
 - Registration and transportation yes
 - o Meals and lodging no

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Medical Expenses: How Does 7.5% Floor Work?







Medical Expenses (Cont'd)	
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Capital Expenditures in General

- Definition
- Example
- Basic Rules
 - o Primarily for medical care
 - Substantiated
- Two Types
 - Tangible personal property
 - Home improvements

Tangible Personal Property Deductible as Medical Expense

- Non-motorized wheelchairs
- Motorized scooters and wheelchairs
- Modification of automobile to accommodate a medical condition
- Crutches
- Canes
- Walkers
- Inclinators
- Specialized utensils, such as grippers
- Eyeglasses
- Detachable (i.e., window) air conditioner for the sole use of patient

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Home Improvements Deductible As Medical Expenses

- Constructing entrance or exit ramps.
- Widening doorways at entrances and exits.
- Widening or otherwise modifying hallways and interior doorways.
- Installing railings, support bars, or other modifications to bathrooms.
- Dowering or otherwise modifying kitchen cabinets and equipment.
- Altering the location of or otherwise modifying electrical outlets and fixtures.
- Installing porch lifts and other forms of lifts.
- Modifying fire alarms, smoke detectors, and other warning systems.
- Modifying stairs.
- Adding handrails or grab bars whether or not in bathrooms.
- Modifying hardware on doors.
- Modifying areas in front of entrance and exit doorways.
- so Grading of ground to provide access to the residence.

Home Improvements

Sample Letter from Doctor – Need For Home Improvements (see *Handouts*).

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Caregivers

- **50** Comply with State and Federal law:
 - Immigration Law
 - o Labor Law (Overtime, etc.)
 - Worker's Compensation Insurance Law
 - Payroll Tax Law
- Obtain a letter from your doctor (see *Handouts*) for income tax purposes.

Other Income Tax Issues

- Early withdrawal from IRAs and employer retirement plans on account of disability.
- Early withdrawal from IRAs and employer retirement plans to pay medical insurance and out-of-pocket expenses.

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Essential Legal Documents - Property

- - Consequences of no will
 - Small estate exception
 - Joint tenancy
 - o Pay on death accounts
- Simple Wills
 - Holographic
 - Witnessed

Simple Wills

- Simple Holographic (Unwitnessed) Will (California) (see Handouts).
- so Simple Witnessed Will (see Handouts).

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Health-Related Documents

- - o Those not requiring a physician's signature
 - o Those requiring a physician's signature

Documents Not Requiring a Physician's Signature

- Advance Health Care Directive a.k.a.
 - Living Will
 - Personal Directive
 - Advance Directive
 - Advance Decision
 - Durable Power of Attorney for Health Care
- Statutory AHCD (see Handouts)
- California Medical Association AHCD Kit (see Resources Handout)
- MIPAA Waiver (see Handouts)

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Documents Requiring a Physician's Signature

- POLST—Physician's Order for Life-Sustaining Treatment
- so a.k.a. Do not Resuscitate or DNR
- Issues addressed by POLST
 - Not breathing and no pulse
 - Pulse or breathing
 - Whether to artificially feed
- California Statutory POLST (see Handouts)
- Mac CMA POLST Kit (see Resources Handout)

Long-Term Care

- Melp in performing basic activities
 - Dressing
 - Bathing
 - Eating
 - Toileting
 - Continence
 - Transferring
 - Walking
- Not covered by Medicare
- Paying for it

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Tax Treatment of Qualified Long-Term Care Insurance

- Premiums deductible (subject to limits)
- Benefits excludable from income
- Employer provided LTC insurance excludable from income

"Qualifying" Long-Term Care Insurance

- Income Tax Definition of "LT Care Services"
- Income Tax Definition of "chronically ill"
- Income Tax Requirements for LT Care Insurance
 - No buildup of cash surrender value
 - o Only long-term care provided
 - Costs covered do not include Medicare-covered costs

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Public Benefits in General

- Plan in Advance
- Qualifying for Medicaid
 - Eligible for at least \$1 of SSI
 - Satisfy income test
 - Satisfy resources test
- Income Cap States

Public Benefits Resource Test

- Naries by state. Can be as low as \$2,000.
- Excluded Assets see separate slide.

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Public Benefits Resource Exclusions

- your home (and appurtenant land);
- Mousehold goods and personal effects;
- Automobiles;
- Property necessary for self-support;
- Burial plots;
- Portions of certain life insurance surrender values;
- Retroactive Title II and Title XVI payments (for nine months after receipt);
- Replacement values for certain lost, stolen, or damaged resources;
- Pension funds (IRAs, work-related pension plans, Keogh plans) of an ineligible spouse; and
- Miscellaneous exclusions.

Resources Test (Cont'd)

- Spouse assets
 - Count in determining Medicaid eligibility
 - o Subject to exclusions, must be spent down to ceiling
- Gifting assets—36 month look-back
- Third party trusts
 - Established and funded by person other than disabled individual or spouse
 - o Payments not paid directly to disabled person
 - o Payments not used for food
 - o Payments not used for shelter

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Public Benefits — The Cost

- If you do receive public benefits, the state will have a lien on your home and other assets (if any).
- The state must be repaid on the death of the disabled person or his or her spouse.

Public Benefits – Elder Law Specialists

so Consult with an Elder Law Specialist.

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Life Insurance in General

- Whole Life Insurance
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- Blended Insurance
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Advantages of Life Insurance

- Advantages All Life Insurance
 - Income replacement
 - Forced savings
 - Known medical condition may make it sound investment
 - Proceeds at death income tax-free
- Advantages Whole Life
 - o Tax deferred buildup of income "inside" policy
 - o Potential estate tax benefits

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Disadvantages of Life Insurance

- ∞ Commissions are high.
- 50 The annual administrative cost is high.
- 50 The rates of return are not competitive.

Assets & Sources of Income

- Life Expectancy Tables (see Handout)
- Need for Budget
 - Assets
 - Liabilities
 - Income
 - Expenses
 - Changes over time
 - Make sure to take long-term care into account
- online software available (see Resources Handout)

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