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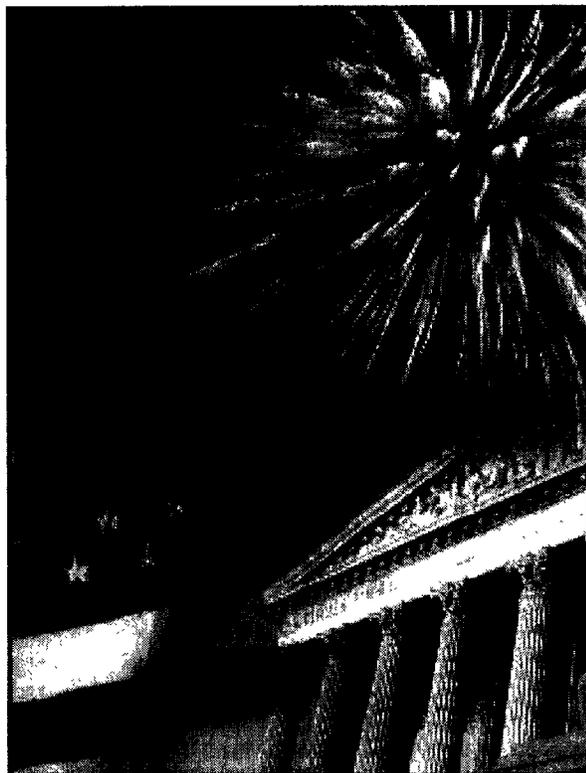
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Medical and Dental Expenses

(Including the Health Coverage Tax Credit)

For use in preparing

2004 Returns



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What's New

Standard mileage rate. The standard mileage rate allowed for out-of-pocket expenses for a car when you use it for medical reasons is 14 cents a mile for 2004. See *Transportation* under *What Medical Expenses Are Includible*.

Health Savings Accounts (HSAs). Beginning in 2004, you may be able to make tax-deductible contributions to a health savings account to pay qualified medical expenses. Health savings accounts are discussed in Publication 969, *Health Savings Accounts and Other Tax-Favored Health Plans*.

Reminder

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Diaper Service

You cannot include in medical expenses the amount you pay for diapers or diaper services, unless they are needed to relieve the effects of a particular disease

Electrolysis or Hair Removal

See *Cosmetic Surgery*, earlier

Flexible Spending Account

You cannot include in medical expenses amounts for which you are fully reimbursed by your flexible spending account if you contribute a part of your income on a pre-tax basis to pay for the qualified benefit.

Funeral Expenses

You cannot include in medical expenses amounts you pay for funerals. However, funeral expenses may be deductible on the decedent's federal estate tax return.

Future Medical Care

Generally, you cannot include in medical expenses current payments for medical care (including medical insurance) to be provided substantially beyond the end of the year. This rule does not apply in situations where the future care is purchased in connection with obtaining lifetime care of the type described under *Long-Term Care*, earlier.

Hair Transplant

See *Cosmetic Surgery*, earlier.

Health Club Dues

You cannot include in medical expenses health club dues, or amounts paid to improve one's general health or to relieve physical or mental discomfort not related to a particular medical condition.

You cannot include in medical expenses the cost of membership in any club organized for business, pleasure, recreation, or other social purpose.

Health Coverage Tax Credit

You cannot include in medical expenses amounts you pay for health insurance that you use in figuring your health coverage tax credit. For more information, see *Health Coverage Tax Credit*, later

Health Savings Accounts

You cannot include in medical expenses any payment or distribution for medical expenses out of a health savings account.

Household Help

You cannot include in medical expenses the cost of household help, even if such help is recommended by a doctor.

This is a personal expense that is not deductible. However, you may be able to include certain expenses paid to a person providing nursing-type services. For more information, see *Nursing Services*, earlier. Also, certain maintenance or personal care services provided for qualified long-term care can be included in medical expenses. For more information, see *Qualified Long-Term Care Services*, earlier.

Illegal Operations and Treatments

You cannot include in medical expenses amounts you pay for illegal operations, treatments, or controlled substances whether rendered or prescribed by licensed or unlicensed practitioners.

Insurance Premiums

See *Insurance Premiums* under *What Medical Expenses Are Includible*, earlier.

Maternity Clothes

You cannot include in medical expenses amounts you pay for maternity clothes.

Medical Savings Account (MSA)

You cannot include in medical expenses amounts you contribute to an Archer MSA. You cannot include medical expenses you pay for with a tax-free distribution from your Archer MSA. You also cannot use other funds equal to the amount of the distribution and include the expenses. For more information on Archer MSAs, see Publication 969, *Health Savings Accounts and Other Tax-Favored Health Plans*.

Medicines and Drugs From Other Countries

In general, you cannot include in your medical expenses the cost of a prescribed drug brought in (or ordered shipped) from another country, because you can only include the cost of a drug that was imported legally. (You can include the cost of a prescribed drug the Food and Drug Administration announces can be legally imported by individuals.) However, you can include the cost of a prescribed drug you purchase and consume in another country if the drug is legal in both the other country and the United States.

Nonprescription Drugs and Medicines

Except for insulin, you cannot include in medical expenses amounts you pay for a drug that is not prescribed.

Example. Your doctor recommends that you take aspirin. Because aspirin is a drug that does not require a physician's prescription, you cannot include its cost in your medical expenses. But, see *Note* under *Medicines*, earlier.

Nutritional Supplements

You cannot include in medical expenses the cost of nutritional supplements, vitamins, herbal supplements, "natural medicines," etc. unless they are recommended by a medical practitioner as treatment for a specific medical condition diagnosed by a physician. Otherwise, these items are taken to maintain your ordinary good health, and are not for medical care.

Personal Use Items

You cannot include in medical expenses the cost of an item ordinarily used for personal, living, or family purposes unless it is used primarily to prevent or alleviate a physical or mental defect or illness. For example, the cost of a toothbrush and toothpaste is a nondeductible personal expense.

Where an item purchased in a special form primarily to alleviate a physical defect is one that in normal form is ordinarily used for personal, living, or family purposes, the excess of the cost of the special form over the cost of the normal form is a medical expense (see *Braille Books and Magazines* under *What Medical Expenses Are Includible*, earlier).

Swimming Lessons

See *Dancing Lessons*, earlier.

Teeth Whitening

You cannot include in medical expenses amounts paid to whiten teeth that are discolored as a result of age. See *Cosmetic Surgery*, earlier.

Veterinary Fees

Except for the care of guide dogs for the seeing-impaired or hearing-impaired, or for other animals specially trained to assist persons with physical disabilities, you cannot include veterinary fees in your medical expenses.

Weight-Loss Program

You cannot include in medical expenses the cost of a weight-loss program if the purpose of the weight loss is the improvement of appearance, general health, or sense of well-being. You cannot include amounts you pay to lose weight unless the weight loss is a treatment for a specific disease diagnosed by a physician (such as obesity, hypertension, or heart disease). This includes fees you pay for membership in a weight reduction group and attendance at periodic meetings. Also, you cannot include membership dues in a gym, health club, or spa.

You cannot include the cost of diet food or beverages in medical expenses because the diet food and beverages substitute for what is normally consumed to satisfy nutritional needs. You cannot include the cost of special food in medical expenses unless all three of the following requirements are met.

1. The food does not satisfy normal nutritional needs.

2. The food alleviates or treats an illness.
3. The need for the food is substantiated by a physician.

The amount you can include in medical expenses is limited to the amount by which the cost of the special food exceeds the cost of a normal diet.

How Do You Treat Reimbursements?

You can include in medical expenses only those amounts paid during the tax year for which you received no insurance or other reimbursement.

Insurance Reimbursement

You must reduce your total medical expenses for the year by all reimbursements for medical expenses that you receive from insurance or other sources during the year. This includes payments from Medicare.

Even if a policy provides reimbursement only for certain specific medical expenses, you must use amounts you receive from that policy to reduce your total medical expenses, including those it does not provide reimbursement for.

Example. You have insurance policies which cover your hospital and doctors' bills but not your nursing bills. The insurance you receive for the hospital and doctors' bills is more than their charges. In figuring your medical deduction, you must reduce the total amount you spent for medical care by the total amount of insurance you received even if the policies do not cover some of your medical expenses.

Health reimbursement arrangement (HRA). A health reimbursement arrangement is an employer-funded plan that reimburses employees for medical care expenses and allows unused amounts to be carried forward. An HRA is funded solely by the employer and the reimbursements for medical expenses, up to a maximum dollar amount for a coverage period, are not included in your income.

Other reimbursements. Generally, you do not reduce medical expenses by payments you receive for:

- Permanent loss or loss of use of a member or function of the body (loss of limb, sight, hearing, etc.) or disfigurement to the extent the payment is based on the nature of the injury without regard to the amount of time lost from work, or
- Loss of earnings

You must, however, reduce your medical expenses by any part of these payments that is designated for medical costs. See *How Do You Figure and Report the Deduction on Your Tax Return*, later.

For how to treat damages received for personal injury or sickness, see *Damages For Personal Injuries*, later.