

Medical Expense News

It's often not so easy to use medical expenses to shrink your income-tax bill. But if your health costs mounted enough last year, you may be in luck -- at least when it comes to your taxes, if not your health.

Want to deduct medical expenses on your income taxes? Your odds of success depend on how much you spent.

To qualify for an itemized deduction, generally the medical expenses you paid in 2005 have to add up to at least 7.5% of your adjusted gross income. Then, you are only permitted to deduct expenses that *exceed* that 7.5% mark.

Say that your adjusted gross income is \$100,000. If you spent \$10,000 on medical expenses for the year, you've reached the 7.5% threshold of \$7,500. You'll be able to deduct the rest of your medical expenses: \$2,500.

But unless all of your itemized deductions -- including medical expenses and others, such as gifts to charity -- add up to more than the "standard deduction," it generally doesn't make sense to itemize. For the 2005 tax year, the standard deduction for people under age 65 is \$5,000 for singles and \$10,000 for spouses filing joint-tax returns.

For guidelines on what qualifies as medical expenses, such as prescribed drugs, doctor's visits and hospital care, look at [Internal Revenue Service Publication 502](#). The list includes laser-eye surgery, fertility treatments such as in vitro fertilization, programs to stop smoking (but not nonprescription drugs such as nicotine gum or patches), and many transportation and lodging expenses associated with medical treatment.

If you're self-employed, you should have a relatively easy time using your health-insurance premiums to save on your taxes. For self-employed people, generally those premiums can be listed as an "above-the-line" deduction rather than an itemized one. That means they directly reduce your taxable income, and aren't subject to the more-complicated rules of deducting medical expenses.

For people who aren't self-employed, health-insurance premiums can generally be claimed as itemized medical expenses, unless you've paid for them on a pretax basis through your paycheck.