



# OLR RESEARCH REPORT

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## **STATE INCOME TAX DEDUCTIONS FOR NURSING HOME PAYMENTS**

By: Judith Lohman, Assistant Director

You asked for a list of states that have an income tax deduction for nursing home payments. You also asked for their policy rationale for such deductions. This report updates our 2008 report on *State Income Tax Deductions for Medical Expenses* ([2008-R-0591](#))

### **SUMMARY**

A search of the CCH state tax database yielded no states that have a state income tax deduction specifically for payments to nursing homes. But many states have state tax deductions for medical expenses that either match or are based on the federal tax deduction. These deductions include certain nursing home payments. The major policy rationale for state tax deductions for medical expenses appears to be conformity with the federal tax code.

For the 2010 tax year, of the 41 states with state income taxes, 35 allowed deductions for medical expenses, including nursing home payments. This number will drop by one for the 2011 tax year. Starting January 1, 2011, Rhode Island eliminated itemized deductions from its state income tax.

In 21 of the states with medical expense deductions for 2010, state deductions matched the federal deduction while the remaining 14 state deductions differed from the federal deduction in one or more respects. The most common difference is to allow additional expenses to be deducted. All 35 states with 2010 deductions included nursing home payments that match the federal definition.

## **FEDERAL MEDICAL EXPENSE DEDUCTION**

When calculating federal taxable income, a taxpayer may deduct eligible, unreimbursed medical and dental expenses that exceed 7.5% of his or her federal adjusted gross income (AGI). The federal medical expense deduction threshold is scheduled to increase to 10% of federal AGI in 2013 for taxpayers under age 65 and in 2016 for taxpayers age 65 and over.

For federal tax purposes, medical expenses can include the cost of medical care in a nursing home, home for the aged, or similar institution, for the taxpayer or his or her spouse or dependents. It can include the cost of meals and lodging in the home if a principal reason for being in the home is to get medical care. If the reason for being in the home is personal, such as that the person is too frail to care for him or herself at home, the deductible expenses must exclude the cost of meals and lodging. However, in such a case, a taxpayer can still include in the medical expense deduction that part of the nursing home payment that is for medical or nursing care ([\*Medical and Dental Expenses Including the Health Coverage Tax Credit\*](#), IRS Publication 502, 2010)

## **STATE MEDICAL EXPENSE DEDUCTIONS**

Of the 41 states with broad-based state personal income taxes, for the 2010 tax year, 35 allowed deductions or exemptions for qualified medical expenses, including qualified payments to nursing homes, when calculating state tax liability. Six, including Connecticut, did not. Starting with the 2011 tax year, this number increases to seven with the addition of Rhode Island, which no longer allows any state income tax deductions.

Of the 35 states that had medical expense deductions in 2010, 21 had the same deduction allowed under the federal tax law and 14 had state deductions that vary from the federal deduction in one or more respects. Table 1 shows the medical expense deduction each state allowed, if any, for the 2010 tax year.

**Table 1: State Income Tax Deductions for Medical Expenses  
2010 Tax Year**

<b>State</b>	<b>Medical Expense Deduction</b>
Alabama	Expenses exceeding 4% of AGI (long-term care premiums are 100% deductible)
Arizona	100% of medical expenses
Arkansas	Expenses exceeding 7.5% of Arkansas AGI
California	Same as federal
Colorado	Same as federal
Connecticut	None
Delaware	Same as federal
Georgia	Same as federal
Hawaii	Expenses exceeding 7.5% of Hawaii AGI.
Idaho	Same as federal
Illinois	None
Indiana	None
Iowa	Same as federal except subtract expenses for the purchase of health benefits coverage or insurance if those expenses are exempted in determining Iowa net income.
Kansas	Same as federal
Kentucky	Expenses exceeding 7.5% of Kentucky AGI. Subtract expenses for the purchase of health benefits coverage or insurance if those expenses are exempted in determining Kentucky net income.
Louisiana	Same as federal
Maine	Same as federal
Maryland	Same as federal
Massachusetts	Exemption equal to the federal deduction
Michigan	None
Minnesota	Same as federal
Mississippi	Same as federal
Missouri	Same as federal
Montana	Expenses exceeding 7.5% of Montana AGI. Subtract premium payment for medical or long-term care insurance.
Nebraska	Same as federal
New Jersey	Expenses exceeding 2% of New Jersey AGI. As a general rule, medical expenses allowed for federal income tax purposes will be allowed for New Jersey income tax purposes.
New Mexico	100% of medical expenses. Medical expenses for services provided by a medical doctor, osteopath, dentist, podiatrist, chiropractic physician, or psychologist must be provided by a person licensed or certified to practice in New Mexico. Taxpayers or spouses aged 65 or over who pay unreimbursed and uncompensated medical care expenses of \$28,000 or more during tax year may claim an exemption of \$3,000.
New York	Same as federal except subtract amount paid for long-term care insurance premiums from medical expense total.
North Carolina	Same as federal
North Dakota	Same as federal
Ohio	Same as federal except 100% of long-term care insurance premiums and 100% of unsubsidized accident and health insurance premiums for coverage for taxpayer and qualifying dependents.
Oklahoma	Same as federal
Oregon	Same as federal, except taxpayers age 62 or over by the end of the tax year may exclude 100% of medical expenses.
Pennsylvania	None
Rhode Island	Same as federal for 2010 tax year. Effective 1/1/11, all itemized state income tax deductions are eliminated.
South Carolina	Same as federal
Utah	Same as federal
Vermont	Same as federal
Virginia	Same as federal
West Virginia	None
Wisconsin	In lieu of itemized deductions, taxpayers are allowed an itemized deduction credit for specified itemized deductions, including the medical expense deduction, taken on the federal return in computing their Wisconsin tax.

Sources: CCH State Tax Database; State income tax instructions and forms

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