



TAX BENEFITS FOR PARENTS OF CHILDREN WITH SPECIAL NEEDS

As April 15 approaches each year many of us are wondering if we will owe taxes or get a refund. In the years of my practice I have come across a few tax deductions that may be available for families with children or dependents with special needs.

Let's start with the easiest and most common: deduction for dependents. This usually means your minor children (whether they have a disability or not). However, most parents do not realize that if they have an adult dependent with special needs or a disability they may qualify as a dependent for income tax purposes as well.

This can also include a stepchild, foster child, grandchild, nephew, niece or even a sibling. A requirement is that the taxpayer provides more than 50% of the dependent's support, and the dependent's own income cannot exceed the exemption amount ((\$3,650 in 2008).

The dependent must be a resident or U.S. citizen, or a citizen of Mexico or Canada. If the dependent is married and filing a joint tax return this deduction is not available to you as a taxpayer. There are some other requirements, but the key point is that the taxpayer must provide more than 50% of that person's support.

Medical Conferences and Seminars

If you attend a workshop, seminar or program to learn more about your child or dependent's disability or treatment, you may be able to deduct the travel cost, registration fees as a *medical expense*. Backup documentation is always helpful, and a doctor's recommendation that you attend is a good idea. The program should cover the specific condition your child has.

School Expenses

If your child attends a special school designed to prepare him or her to help overcome a disability, the cost of the school may be deductible. **IMPORTANT** that the school's program must be specifically designed to help your child prepare for future mainstreaming or living in the outside world. The school must be properly focused in order to have the tuition qualify as a medical deduction. The fact that the school specializes in offers support and focused education programs is usually not enough. The IRS has provided examples of schools that qualify: Braille schools, focused training

programs for the developmentally disabled, boarding schools for the psychologically disabled, and have psychiatrists, psychologists and social workers on staff. You should consult your tax specialist in this matter.

Work Expenses

Perhaps your child works. If they earn enough to file a tax return, expenses that enable your child (or you, if you are disabled) to hold a job may be deductible. Some of these deductions may include adaptive equipment, attendant care, etc. NOTE: This is not considered a medical expense, but rather an unreimbursed employee expense and are not subject to the 7.5% limitation (see below).

Occupational and Physical Therapies

If prescribed by a physician, and not covered by a medical plan, may be deductible as a medical expense.

A reminder: all medical deductions must exceed 7.5% of your income before the deduction is available (for federal tax purposes – state laws may vary).

There may be other deductions available as well – e.g. home modification, medical protocols, etc. **It is important to consult with your tax preparer or CPA as to the appropriateness of these deductions.**

For more information, please call: Kirk S. Barth, CFP[®], CLU[®], ChFC[®], LUCTF, CLTC at Special Needs Hawaii's... kbarth@jhnetwork.com or visit my website: www.specialneedshawaii.com 808-469-4884 – cell – (808)258-3733

The material being presented is for informational purposes only. Although many of the topics presented may involve tax, legal, accounting or other issues, neither John Hancock, Signator Investors, Inc. and its affiliated companies, nor any of its agents, employees or registered representatives are in the business of offering such advice and it may not be relied on for the purpose of avoiding any federal tax penalties. Individuals interested in these topics should consult with their own professional advisers to examine tax, legal, accounting or financial planning aspects of these topics and how it applies to their specific circumstances.

Special Needs Hawaii, LLC is independent of John Hancock and Signator Investors, Inc. Registered Representative/Securities and Investment Advisory Services offered through Signator Investors, Inc., Member FINRA, SIPC, a Registered Investment Advisor

146-04132010-17397560