

Tax help in caring for an aging parent

By [Kay Bell](#) • Bankrate.com

They took care of you for years. Now it's your turn.

Millions of adult children find themselves looking after aging parents. Tax laws offer some help, as long as you and your folks meet the criteria.

The key to Internal Revenue Service assistance in caring for an elderly relative is whether you can claim the person as a dependent. Any dependent must meet certain tests. While there is a little flexibility when dealing with children, fewer exceptions are granted when the potential dependent is older.

Things to consider if claiming a parent as a dependent:

- Mom or Dad's income, including Social Security.
- How much support you provide for living expenses.
- How much you contribute to a parent's residential costs.
- How much of your parent's medical bills you pay.
- Combined help of all siblings.

Despite the qualification obstacles, it doesn't hurt to explore whether you can claim your parent as a dependent. If you and your parent meet IRS requirements, you'll be able to claim an added personal exemption on your income tax return.

Then there are possible deductions and credits. If you pay medical expenses for a dependent parent, you may be able to deduct some of those costs. Hire a caregiver to help you out, and a credit could cut your tax bill a bit more.

Dependency hurdles

The highest dependency hurdle is the amount of income your older parent earns. A dependent parent cannot make more than the exemption amount. The income barrier represents taxable income, notes John W. Roth, a senior federal tax analyst with CCH Inc., a national tax and business law publisher.

"Social Security normally is excludable, but if they have other income, which in many cases means interest and dividends, some is taxable," Roth says. "So you want to start with that first in determining if the parent meets the income test.

"It's amazing how that generation has invested in stocks, bonds, saving accounts and how quickly it can add up," says Roth.

Such disciplined saving habits mean that many adult children cannot claim Mom or Dad as a dependent. If, however, you and your parent meet the income standard, the next consideration is how much support you provide.

Paying for more than half

To be deemed a dependent for tax purposes, your parent must get more than half of his or her support from you.

"When the parent lives in your home, to reach the 50 percent-plus threshold you should take into account the fair-market room rental, food, medicine and other little support items," says Roth. "This is where Social Security does come into play. If a parent is using benefits to pay for some of these support items, it goes into the calculation of whether you cover more than half of your parent's support costs."