

Recovery Rebate Credit

You May Be Eligible?

People who fall into the categories described below may be eligible for the recovery rebate credit this year:

- Individuals who did not receive an economic stimulus payment
- Those who received less than the maximum economic stimulus payment in 2008—\$600 per taxpayer; \$1,200 if married filing jointly—because their qualifying or gross income was either too high or too low.
- Families who gained an additional qualifying child in 2008.
- Individuals who could be claimed as a dependent on someone else's tax return in 2007, but who cannot be claimed as a dependent on another return in 2008.
- Individuals who did not have a valid Social Security number in 2007 but who did receive one in 2008.

If you can not recall what you received as a Economic Stimulus (notice 1378), you can use "How Much Was My 2008 Stimulus Payment" to look up the amount you received. <https://sa2.www4.irs.gov/irfof/IRServlet?app=IRACTC&selectLanguage=en>

You needed to file a 1040A by October 15, 2008 to apply for your original rebate.

You can let the IRS figure the credit when you file your 2008 Form 1040, 1040A or 1040 EZ. If you're filing on paper, simply follow the line-by-line instructions to choose this option. If you're filing electronically, the software will figure the credit for you.

The Recovery Rebate Credit Calculator will help you figure the amount you should claim on your 2008 tax return. The worksheet in the Form 1040 instruction booklet can also help you figure your credit by hand. To use the Recovery Rebate Credit Calculator or complete the worksheet, you'll need to know the amount of your 2008 economic stimulus payment, if any. This amount was provided on Notice 1378, Economic Stimulus Payment Notice, sent by the IRS to taxpayers who received a payment.

If you have a professional file your tax return, you can assist them by supplying them with the Notice 1378. If you're not able to find it, they can look it up from the IRS website as suggested earlier.



By Kay Bell

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.

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. This filing season, each exemption allows you to reduce your taxable income by \$3,500.

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. This is that \$3,500 mentioned earlier. (Here's where kids get a break. This is not a test for a young dependent under the new uniform definition of a qualifying child.)

The income barrier represents taxable income. Social Security normally is excludable, but if they have other income, which in many cases means interest and dividends, some is taxable. So you want to start with that first in determining if the parent meets the income test. 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. 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. If mom doesn't have \$3,500 taxable income, but gets \$15,000 in Social Security and uses it to pay for some medicine and buy

Tax Help in Caring for Your Aging Parent

clothes. In that case, your contribution to her support may not come up to half.

The one bit of wiggle room here is that your parent doesn't have to live with you. When a parent is able to remain in his or her own house, in an assisted living facility or a nursing home, costs you pay for parental support at those locations count toward meeting the IRS requirement.

Be careful, though, in determining what is support. Uncle Sam may not agree with what you and your parent consider vital. For example, items such as furniture, appliances or even cars can in some instances be counted as support; other times the IRS says "no."

Counting medical and other costs

Once your parent does meet the IRS dependency tests, you can use any medical expenses you pay for mom or dad toward this itemized deduction. Since medical costs must exceed 7.5 percent of your adjusted gross income before you can claim them, a parent's added expenses could help you meet the requirement.

And the IRS offers a little leeway here. If your parent isn't considered a dependent for exemption purposes simply because he or she earned too much but met the other tests, the IRS says mom or dad still could be counted as a dependent for

medical deduction purposes.

When adding up those parental medical costs, don't forget premiums for supplementary Medicare coverage or long-term care insurance. Once your parent is your dependent, some of these payments that you make can be counted toward your deductible medical expenses.

But the precise amount of long-term-care policy payments that you can add to your medical expenses is limited by your parent's age. They range from a low of \$310 for coverage of a parent age 40 or younger to \$3,850 for a policy beneficiary age 71 or older. In between, the IRS says you can count \$580 spent on a policy for someone between ages 41 and 50; \$1,150 for coverage of a person from ages 51 to 60 years; and \$3,080 for a dependent aged 61 to 70.

And if your dependent parent lives with you and requires continual care, you may be eligible for another tax break. What you spend for this attention generally won't count toward the medical deduction. But if it's necessary so that you can go to work, you can claim the dependent care credit.

There is a limit to the amount of care costs you use to figure the dependent care credit; this tax year it could be as much as \$3,000. Even then, you can only claim a percentage of your costs based on your income level.

Since it's a credit, it's a dollar-for-dollar tax break. There

also are a growing number of eldercare day facilities that would count toward the credit.

Siblings sharing support

Sometimes you don't have to shoulder the financial and emotional load alone. Many adult children get help from siblings in caring for mom and dad. Not only does this help maintain your day-to-day bank balance, it also spreads out any tax breaks. Where none of you solely pays for half of a parent's support, but each contributes at least 10 percent toward parental care, take a look at the IRS's multiple-support declaration. This form helps you account for the tax implications of a shared-care arrangement.

For example: Mom is in a nursing home. Her Social Security covers 40 percent of the facility's costs, and you and your two brothers split the remainder, each paying 20 percent. Since more than half of her support comes from her three kids, she can be claimed as a dependent -- but by only one of you. That choice is left to you and your brothers.

After you and your brothers agree that you can claim Mom as a dependent this tax year, file [Form 2120, Multiple Support Declaration](#) with your tax return. This form indicates that while several siblings contributed to mom's support, the others waive any tax-exemption claim.

You also need to get signed statements from your brothers acknowledging that they waived their tax claims. You don't have to send these documents with your 1040, but keep them in your records in case the IRS ever questions your exemption or medical deduction claims.

And the best news about a multiple support agreement is that it's not permanent.

You can rotate it around from tax year to tax year. The next year, another sibling takes the responsibility and the third brother the next year.

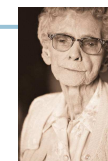
It softens the blow, but it's not going to cover all that it's going to cost you.

Plan first, then look for tax breaks

Because of the staggering (and ever-increasing) costs, that families need to pre-plan for parental care and the associated tax opportunities, this is especially important when a multiple-support agreement is utilized. Make sure that the year you claim Mom as a dependent, you, not your siblings, pay her medical costs so that you get the full tax-deduction benefit. Any medical payments a sibling makes, while helpful, will do neither of you any tax good.

There really isn't a lot out there for this sandwich generation. However, as this group grows, so too will their political clout along with tax relief in the area of help for aging-parent care. But tax breaks won't substitute for good financial planning.

(con't. pg. 4, 4th col. bottom)



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Visit us on the web:
www.co.delaware.ny.us/depts/ofa/ofa.htm

The Delaware County Legacy Corps is operated by Delaware Support & Services, under contract to the Delaware County Office for the Aging with funding from Delaware County, NYS Office for the Aging and the Older Americans Act, and donations provided by program participants.



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Springtime is the land awakening. The March winds are the morning yawn. ~Lewis Grizzard

Tax News:

1099 DIV: A certain portion of the distributions received in your portfolio may be re-characterized as capital gains and/or return of capital. The information required to make a final determination of the characterization of your distributions may not be available until early February. As a result, the Funds will seek an extension from the IRS to mail your completed 1099-DIV after the January 31st deadline. Therefore, you may not receive your 1099 Forms until late February 2007. Make sure you have received all your 1099-

DIV before having your tax return completed, otherwise you may have to have it amended.

Mileage Reimbursement: July 1-December 31, 2008:

Business	58.5¢
Charitable	14 ¢

(The rate for miles driven in service of charitable organizations not reimbursed)

Medical & Moving	27 ¢
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January 1-June 30, 2008:

Business	50.5¢
Charitable	14 ¢
Medical & Moving	19 ¢

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Up and Coming!

January 29, 2009– at the Public Safety Building (PSB) from 10:00 AM-noon. Speakers will be Pamela Tanner from the NYS Division of Veteran's Affairs and Esther Baker from Del. Cty. DSS to speak about Medicare and Medicaid.

Mandy Knight, our Binghamton University intern is working on an expressive arts group that she thought may be helpful to our seniors and caregivers. For example, using the modality of art, it can enable the individual to connect, possibly for the first time, to an emotion, or an event that has not been thought of for decades. It also can stimulate emotional

Legacy Corps



Note from the Editor

I hope all are keeping warm over this past month of cold snaps. If you believe you may be eligible for HEAP assistance, make sure you call the girls at Office for the Aging (OFA) and request an application. If you're income eligible for HEAP you will also be eligible for a Winter Home Heating and Energy Tune-Up Program Kit which is being distributed through the Delaware County Electric Coop (DCEC). You can be supplied electric by any elec-

tric company (eg. DCEC, NYSEG, etc.). You can pick the kits up at DCEC, OFA or Delaware Opportunities while supply lasts.

Household Size # of Residents	Monthly Gross Income Limit
1	\$1,963
2	\$2,567
3	\$3,172
4	\$3,776
5	\$4,380
6	\$4,984

I have included some tax

information that you may find helpful while preparing to file your income taxes this year. If you have a dividend income, just a reminder, your 1099-DIV may be a little later than normal so make sure you have all of them prior to filing. Mileage is figured this year at two different rates and don't forget medical mileage to and from your physicians. We have income tax assistance available at OFA too.

Zit

What is a Medical Expense?

Normally, medical expenses may be taken when you itemize your income tax return. You are able to take cost over 7.5% of your AGI (adjusted gross income) which is the bottom line on the first page of your return (Form 1040, line 38).

Medical expenses are the costs of diagnosis, cure, mitigation, treatment, or prevention of disease, and the cost for treatments affecting any part or function of the body. They include the costs of

equipment, supplies, and diagnostic devices needed for these purposes. They also include dental expense.

Medical care expenses must be primarily to alleviate or prevent a physical or mental defect or illness. They do not include expenses that are merely beneficial to general health, such as vitamins or a vacation.

Medical expenses include the premiums you pay for insurance that covers the expenses of medical care,

and the amounts you pay for transportation to get medical care. Medical expenses also include amounts paid for any qualified long-term care insurance contract.

You cannot include medical expenses that were paid by insurance companies or other sources. This is true whether the payments were made directly to you, to the patient, or to the provider of the medical service.



(con't. from pg. 3, last col.)

It's one of the hardest things that children have to do because it deals with finances, but you need to sit down with your parents and siblings and make a plan.

"For years and years these people have taken care of you. Now that is shifting."

<http://www.bankrate.com>; IRS Publications that can be helpful: www.irs.gov, 501, Exemptions, Standard Deduction, & Filing Info.; John W. Roth-CCH Incorp.

Our volunteers donated 2,039.5 hours of their time in 2008 and travelled over 17,206 miles.

tion and the size of our county.

Did you know?

Pussy Willows are a classic harbinger of spring, opening well before the crocuses and snowdrops. These are a very popular seasonal item. While we only have them for a few months, they can last indefinitely if you simply drop them into a vase without water and allow them to dry.

Some religions will use pussy willows instead of palms as a spring religious decorations.

