



This Bill Analysis reflects the contents of the bill as it was presented in committee.

# HOUSE BILL 46: Senior Tax Deduction for Medical Expenses

2015-2016 General Assembly

<b>Committee:</b>	House Aging, if favorable, Finance	<b>Date:</b>	March 10, 2015
<b>Introduced by:</b>	Rep. Catlin	<b>Prepared by:</b>	Theresa Matula
<b>Analysis of:</b>	First Edition		Committee Staff

**SUMMARY:** House Bill 46 allows a North Carolina individual income tax deduction for medical expenses for an individual age 65 and older, effective for taxable years beginning on or after January 1, 2015.

### CURRENT LAW:

#### Federal Income Tax Treatment of Medical Expenses

26 US Code, § 213, allows as a deduction the expenses paid during the taxable year, not compensated for by insurance or otherwise, for medical care of the taxpayer, his or her spouse, or a dependent (as defined), to the extent that such expenses exceed a specified percent of adjusted gross income. According to IRS Publication 502 (2014), medical expenses include "costs of diagnosis, cure, mitigation, treatment, or prevention of disease, and the costs for treatments affecting any part or function of the body." Medical expenses also include premiums for insurance that covers expenses of medical care, transportation to get medical care, amounts paid for qualified long-term care services and limited amounts paid for a qualified long-term care insurance contract. According to Publication 502, "you can deduct on Schedule A (Form 1040) only the amount of your medical and dental expenses that is more than 10% of your AGI (Adjusted Gross Income). But if either you or your spouse was born before January 2, 1950, you can deduct the amount of your medical and dental expenses that is more than 7.5% of your AGI."

#### North Carolina Tax Treatment of Medical Expenses

In 2013, North Carolina tax law was changed and medical and dental expenses were no longer allowable income tax deductions on North Carolina individual income tax returns.

N.C. General Statutes Chapter 105, Article 4, Part 2 pertains to Individual Income Tax. G.S. 105-153.5 provides for modifications to adjusted gross income. Specifically it allows a taxpayer to deduct from adjusted gross income either the standard deduction amount provided in subdivision (1), or the itemized deduction amount outlined in subdivision (2) which currently pertains only to a deduction for charitable contributions and mortgage expenses and property taxes.

**BILL ANALYSIS:** House Bill 46 amends G.S. 105-153.5 pertaining to modifications to adjusted gross income, specifically itemized deductions. The bill provides headings for the two current sub-subdivisions and adds a new sub-subdivision (G.S. 105-153.5(a)(2)c) pertaining to a deduction for medical expenses. G.S. 105-153.5(a)(2)c. allows itemized deductions for medical expenses in the amount allowed as a deduction for medical expenses under section 213 of the Internal Revenue Code for that taxable year. The medical expenses incurred must be for a person who has attained the age of 65 before the close of the taxpayer's taxable year.

**EFFECTIVE DATE:** The act would be effective for taxable years beginning on or after January 1, 2015.

O. Walker Reagan  
Director



Research Division  
(919) 733-2578

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