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Some tax time things for seniors to remember

April 18, 2017 is Tax Day this year, which is the deadline for filing your taxes for the tax year 2016. If you have not yet filed your Federal and State income tax returns, Elder Law Answers suggests a few things for seniors to keep in mind when completing your returns.

The federal gift tax rules can be very confusing to many. The annual exclusion is $14,000 ($28,000 for a couple who files jointly) to *each* person to whom you give a gift. But if you gave your unmarried daughter $30,000 in 2016, you will need to file a Form 709 (gift tax return). However, there is a lifetime exemption that is equal to the Federal Estate Tax exemption; therefore it is unlikely that you will owe any tax. The tax for gifts is "owed" by the giver not the person to whom the money is given. Despite the federal rules, seniors should be careful about giving away large sums of money since there is a "look back" on gifts when applying for Medical Assistance. The Department of Human Services (DHS) does not have the same rules as the Federal Gift Tax rules when it comes to applying for Medicaid when gifts have been given.

Don't forget to look at medical expenses paid in 2016 which were not reimbursed by insurance. To qualify for the deduction, total medical expenses actually paid in 2016 need to be more than 10 percent of your adjusted gross income. For taxpayers who are 65 and older, this threshold remains at 7.5 percent through 2016. Medical expenses can be quite broad, including all out-of-pocket costs for prescriptions (which includes deductibles and co-pays), and Medicare Part B, Part C and Part D premiums. Since Medicare Part B premiums are usually deducted directly from Social Security benefits, be sure to check your 1099 for the premium amount. If you had a hospital stay with associated expenses, bought hearing aids, or had any other medical expenses, be sure to gather all documentation for the tax preparer. Long term care insurance premiums for *qualified* policies are also treated as an unreimbursed medical expense for the taxpayer, his or her spouse and other dependents.

Those who care for a mother or father (or both) may be able to claim her or him as a dependent on your income taxes. Be sure to check the rules but such a claim could allow you an exemption of $4,050 in 2016 for a parent.

Some elderly and disabled individuals who are low income are entitled to a special tax credit. A Federal income tax refund should not affect your Medicaid or Social Security benefits, especially if it is used up within one year of receipt. Most Social Security benefits are not taxable unless there is substantial income in addition to the benefits. Review the rules regarding income with your tax preparer.

Married couples can exclude up to $500,000 in profit upon the sale of a home ($250,000 for individuals). If a widow or widower sells the home, he or she can still claim the exclusion if the house is sold no more than two years after the spouse's death.

There are programs that offer free tax preparation for those over the age of 60 years of age such as those funded by TCE (Tax Counseling for the Elderly) and VITA. Check for local agencies who provide this service (might be at your local senior center).