



CarlylePlace
NavicentHealth

IMPORTANT TAX DOCUMENT

Medical Deduction Letter
Independent Living Resident

Tax year ending December 31, 2017

The following tax deduction is applicable for all residents who have resided at Carlyle Place for 12 months:

Average Weighted Annual Service Fee	\$39,435
Applicable Percentage	29.0%
Medical Deduction PER Resident	<u>\$ 11,436</u>

The medical deduction **PER** resident has already been calculated based on the applicable percentage. The amount **highlighted** above should be used on Line 1 of Form 1040, Schedule A- Itemized Deductions if you are a single occupant, or **doubled** if you are double occupancy.



CarlylePlace
NavicentHealth

IMPORTANT TAX DOCUMENT

**Medical Deduction Letter
Tax Year Ending December 31, 2017**

Type of Plan	Declining Balance Plan
Entrance Fee Paid	\$245,100
Average Weighted Annual Service Fee	\$ 39,435
Applicable Percentage	29.0%
Total Entrance Fee Deduction	\$71,079
Full 12 Months Service fee Deduction	\$ 11,436
* PER Resident Pro-rated 2 Mths Service fee deduction	\$ 1,906

The Entrance Fee and Pro-rated Medical Deduction have already been calculated based on the applicable percentage. The amount listed in Bold should be used on Line 1 of Form 1040, Schedule A- Itemized Deductions.

* The Pro-rated medical deduction per resident amount listed above is for single occupancy. Please double this amount if your status is double occupancy.



CarlylePlace
NavicentHealth

IMPORTANT TAX DOCUMENT

**Medical Deduction Letter
Tax Year Ending December 31, 2017**

Type of Plan	50% Refundable Plan
Entrance Fee Paid	\$382,700
Average Weighted Annual Service Fee	\$ 39,435
Applicable Percentage	29.0%
Total Entrance Fee Deduction	\$110,983
Full 12 Months Service fee Deduction	\$ 11,436
* PER Resident Pro-rated 9 Mths Service fee deduction	\$ 8,577

The Entrance Fee and Pro-rated Medical Deduction have already been calculated based on the applicable percentage. The amount listed in Bold should be used on Line 1 of Form 1040, Schedule A- Itemized Deductions.

* The Pro-rated medical deduction per resident amount listed above is for single occupancy. Please double this amount if your status is double occupancy.



IMPORTANT TAX DOCUMENT

**Medical Deduction Letter
Tax Year Ending December 31, 2017**

Type of Plan	90% Refundable Plan
Entrance Fee Paid	\$353,500
Non-Refundable Portion Entrance Fee Deduction	\$ 35,350
Average Weighted Annual Service Fee	\$ 39,435
Applicable Percentage	29.0%
Full 12 Months Service fee Deduction	\$ 11,436
* PER Resident Pro-rated 6 Mths Service fee deduction	\$ 5,718

The Entrance Fee and Pro-rated Medical Deduction have already been calculated based on the applicable percentage. The amount listed in Bold should be used on Line 1 of Form 1040, Schedule A- Itemized Deductions.

* The Pro-rated medical deduction per resident amount listed above is for single occupancy. Please double this amount if your status is double occupancy.



CarlylePlace
NavicentHealth

February 2018

RE: Carlyle Place Resident and Life Care Agreement Resident Medical Deduction

We have obtained the advice of CliftonLarsonAllen, LLP concerning the medical deduction. The calculation of these percentages was based on the operating experience of Carlyle Place for the year ended September 30, 2017. This will be all of the information needed from Carlyle Place in order for you to prepare your 2017 Income Taxes. The deductibility of medical expenses is provided for in Section 213 of the Internal Revenue Code. The ratio is then applied to an entrance fee and an average weighted monthly service fee. This information may also be needed by your financial advisor/tax accountant.

This letter outlines the deductible percentage of medical expenses for federal income tax reporting of certain fees paid by residents of Carlyle Place. Based on the review of the applicable regulations and rulings, the following expenditures made by you will be deductible for the year ended December 31, 2017. The deductible portions of these fees may not exceed the amount actually paid by the resident. Also, any amounts compensated by insurance or otherwise may not be deducted.

The deduction determined to be allowable must be itemized and carefully described as “medical expense portion of life-care entrance fee and monthly service fee” on an attachment to the resident’s return. Such attachment should reference line 1 of Schedule A, Form 1040. This is required in order to provide full disclosure under the Internal Revenue Service rules.

1. Entrance Fee – the lesser of the non-refundable portion of the entrance fee paid; or the percentage noted on the IMPORTANT TAX DOCUMENT enclosed applied to the entrance fee paid during the current taxable year may be deductible by the resident. This amount should be included with the resident’s other medical expenses on Line 1 of Form 1040, Schedule A – Itemized Deductions.

In future years, if a resident or their estate receives a refund of any portion of their entrance fee, the same portion of the refund may need to be included as income in the individual’s income tax in the year the refund was received. Residents should consult their tax advisor.

2. Apartment/Garden Home Monthly Service Charge – the percentage noted on the IMPORTANT TAX DOCUMENT enclosed applied to the average weighted monthly service fees paid by the resident during the year ended December 31, 2017 may be deductible by the resident. The resident should include this amount in the total medical expenses entered on Line 1 of Form 1040, Schedule A - Itemized Deductions. This does not include amounts paid for extra meals, telephone charges, maintenance, laundry, etc.

3. Assisted Living/Dementia Monthly Service Charge – Under certain circumstances, fees paid by residents for a period of residency in our Assisted Living neighborhood may be 100% deductible. The requirements for 100% deductibility are:

The criteria for qualified long-term care deductions are:

- a. The resident is unable to perform, without substantial assistance from another individual, at least two activities of daily living for a period of at least ninety days, or the resident requires substantial supervision to protect their health and safety due to severe cognitive impairment. Activities of daily living include eating, toileting, transferring, bathing, dressing and continence.
- b. The services are provided pursuant to a plan of care prescribed by a licensed health care practitioner.

The resident should also include this amount in the total medical expenses entered on Line 1 of Form 1040, Schedule A – Itemized Deductions. The cost of toiletries, telephone and personal items are not considered to be deductible.

4. Health Care Center/Skilled Nursing Monthly Charge – The amount paid to the Health Care Center is totally deductible by the resident. This amount can be properly included in the amount of medical expenses reported on Line 1 of Form 1040, Schedule A – Itemized Deductions.

Please consult your financial/tax advisor with any questions regarding this deduction. It should be noted that no methodology for determining the deductible amount has been sanctioned or set forth by the Internal Revenue Service. The Internal Revenue Service has repeatedly stated that this is a question of fact subject to review by the District Director of Internal Revenue. The amounts set forth and any updated amounts calculated may be challenged by the Internal Revenue Service. The Resident Medical Deduction may or may not impact your personal tax situation.

Sincerely,



Connie W. Jones, CPA
Director of Financial Services