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Lillian Baral's physician diagnosed her as suffering from dementia and determined that due to her diminished capacity, she required 24x7 supervision. Lillian spent \$49,580 on caregivers in 2007, and deducted these outlays as medical expenses on her income tax return. The IRS denied the deduction and sent Lillian a notice of deficiency alleging that \$17,681 was due. Lillian, appealed to the Tax Court. The parties agreed that Lillian's adjusted gross income was \$94,229.

Medical expenses may be deducted as an itemized deduction to the extent that they exceed 7.5 percent of adjusted gross income. 26 U.S.C. § 213(a). Medical care is defined as amounts paid: (A) for the diagnosis, cure, mitigation, treatment, or prevention of disease or for the purpose of affecting any structure or function of the body, (B) for transportation primarily for and essential to medical care referred to in subparagraph (A), (C) for qualified long-term care services (as defined in section 7702B(c)... 26 U.S.C. § 213(d)(1).

Qualified long-term care services means: *necessary diagnostic, preventative, therapeutic, curing, treating, mitigating, and rehabilitative services, and maintenance or personal care services which - (A) are required by a chronically ill individual, and (B) are provided pursuant to a plan of care prescribed by a licensed health care practitioner.* 26 U.S.C. § 7702B(c)(1).

Chronically ill individual means: *any individual who has been certified by a licensed health care practitioner as (i) being unable to perform (without substantial assistance from another individual) at least 2 activities of daily living for a period of at least 90 days due to a loss of functional capacity ... or requiring substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment.* 26 U.S.C. § 7702B(c)(2).

The Tax Court found that Lillian's physician certified her to be chronically ill and his recommendation that she receive 24x7 care met the requirements of a care plan. Hence, Lillian was allowed to deduct \$43,273 of medical expenses. *Estate of Lillian Baral*, 137 T.C. 1 (2011).

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