

Chapter 15

TAXES INCLUDING DISABILITY RELATED EXPENSES

All United States residents who have income above a specified minimum must file a Federal Income Tax Return. The minimum income level depends on marital status and age. Most states also have income taxes based on the Federal Income Tax Return. The state of Connecticut has an income tax. Income tax filings tend to be complex and may require assistance by a knowledgeable person.

Both federal and state tax departments provide some assistance. For federal tax assistance call 1-800-829-1040 or go to www.irs.gov. For state tax assistance call 1-800-382-9463 or www.drs.state.com.us. It is often necessary to persevere to get the assistance needed. The Internal Revenue Service (IRS) does provide free publications and forms covering all of the provisions of the federal income tax. To order, call 1-800-829-3676. Publication 17 is the Tax Guide for Individuals. Publication 910, Guide to Free Tax Services, provides a list of tax publications and related topics. There is a volunteer organization in Connecticut which helps with federal income taxes. Call Volunteer Income Tax Assistance (VITA) at 1-888-227-7669.

The amount of income the federal government taxes is reduced by certain deductions, called "itemized deductions." The amount of tax owed is reduced by tax credits. By properly planning income, deductions and tax credits, people with disabilities can significantly reduce, and sometimes eliminate, their income tax liability. This will increase their spendable income and allow them to keep more of each dollar earned

You can begin with the IRS by going to www.irs.gov. The IRS also publishes the following www.irs.gov/uac/IRS-Tax-Tips.

FEDERAL INCOME TAX

Federal income taxes are calculated as follows: The taxpayer's income from all sources is added together to arrive at a figure called "total income." Total income is then reduced by applicable deductions to arrive at a figure called the "adjusted gross income." Adjusted gross income is then reduced by either a minimum standard deduction or itemized deductions and exemptions to arrive at a figure

called "taxable income." Income tax due is calculated based on taxable (not total) income. The income tax due is reduced by tax credits.

Tax Payer Income – Taxpayer income includes earned income from wages or from any business owned by the taxpayer. It also includes investment income such as interest, dividends and capital gains (profits from the sale of investments). Distributions from IRAs (individual retirement account), pensions, and annuities are fully or partially included as income. Incomes from rents, partnerships, etc. are included as income, as is unemployment compensation. Social Security benefits (including Social Security disability income) are sometimes excluded and sometimes partially included.

Special attention should be given to income from IRAs, pensions, annuities, and Social Security. IRA distributions, other than for a Roth IRA, each are taxable and are included as income if the taxpayer deducted all amounts deposited into the IRA account(s). If the taxpayer made deposits or contributions to the IRA account(s) that were not deducted on their tax return, then the amount withdrawn is not fully included as income. Taxpayers use IRS Form 8606 to calculate the amount of the IRA distribution which is included as income.

Pensions and annuities may not be one hundred percent included as income. If the taxpayer contributed funds to the pension or annuity and these funds were already taxed, then part of the pension or annuity distributions to the taxpayer are tax-free. These tax-free distributions represent a return of the taxpayer's own funds which were already taxed. Form 1099R, received at the end of each year from the company making the pension or annuity payments, will normally show the total distributions paid to the taxpayer and the amount of the distribution which should be included as income. If Form 1099R does not show the correct taxable and nontaxable information, taxpayers should consult the appropriate IRS Publication.

Deductions for Adjusted Gross Income – The IRS allows certain deductions from total taxpayer income which results in an amount called "adjusted gross income," or AGI. Alimony paid to a former spouse is deductible, as are penalties for early withdrawals from savings accounts (such as certificates of deposit). Those who are self-employed in their own business may deduct contributions to a business retirement plan (called a Keogh or SEP), a portion of their health insurance, and a portion of the self-employment tax which they pay towards Social Security coverage.

Taxpayers with wages or self-employment business income can deduct IRA contributions if they are not covered by another retirement plan. If they are covered by another plan, but their income is below certain levels, then one may still be able to qualify for some additional deductions.

Itemized Deductions – A number of other deductible expenses, called itemized deductions, are subtracted from adjusted gross income. A taxpayer is allowed to deduct a standard itemized amount or to deduct their actual itemized expenses if they are higher than the standard amounts.

Allowable itemized deductions include mortgage interest paid on your main home and second home, real estate taxes and personal property taxes (such as car taxes), income taxes paid to state and local governments, and contributions to churches and charities. In many cases the most important itemized deduction for a taxpayer with disabilities is medical expenses.

Medical expenses are included as itemized deductions only if they exceed seven and a half percent (7.5%) of a taxpayer's adjusted gross income. Only the amount that exceeds 7.5% is included as an itemized deduction. Medical costs that are reimbursed by health insurance or Medicare may not be included.

Some medical expenses can be deducted above the standard deduction. For individuals with disabilities this may include the following: automobile and van modifications to accommodate a wheelchair or adaptive driving controls to assist a person with mobility impairments in driving, home modifications to allow for easier mobility (removal of structural barriers, installation of wheelchair ramps), any other major expenditure made for medical care if the expenditure does not increase overall value of the property, transportation to and from medical care, including parking and wheelchair parts and repairs. The possible deductions vary every year.

The following websites might prove helpful in determining the deductions you are eligible for: Topic 502 - Medical and Dental Expenses

www.irs.gov/taxtopics/tc502.html and **Publication 907 (2013), Tax Highlights for Persons with Disabilities** www.irs.gov/publications/p907/ar02.html

Personal Care Attendants (PCA's) – The costs of nursing and nursing services are deductible as medical expenses to the extent that they along with other medical expenses exceed a percentage of your adjusted gross income. The attendant need

not be a nurse. Only the costs related to personal service are deductible. These costs may include the cost of food and lodging for the attendant. Costs for household maintenance are not deductible.

Wages paid to an attendant who is employed by you and whose work is directed by you (and is not an independent contractor or an employee of an organization or company) are subject to Social Security, Medicare and unemployment taxes. It is important to know how to do this or to find someone who can assist you in paying or deducting the appropriate amounts.

Taxable Income – After all allowable deductions are subtracted; the amount remaining is called taxable income. This is the amount on which the IRS charges tax. The tax can then be reduced by certain amounts called tax credits, including a credit for the elderly and disabled. If a taxpayer is under age 65, retired on disability, and was permanently and totally disabled when they retired, they may be able to reduce their taxes. Any taxpayer over 65 can also qualify. Form 1040 Schedule R provides the information on the credit, which is too mathematically complicated to cover here. Taxes due can also be reduced by a credit for child care expenses paid (Form 2441) and a credit for any foreign taxes paid (Form 1116).

Federal Earned Income Credit – If you work or are self-employed and have earned income, you may be entitled to a credit to reduce your federal income tax. If you have to file a return with little or no tax liability, you may be entitled to a cash payment. For an individual or a couple filing jointly, the earned income and modified adjusted gross income must each be less than \$10,710. If you have one qualifying child, the level rises to \$32,121. There are a number of rules that apply. To determine if you qualify refer to the instruction booklet for your tax return.

CONNECTICUT INCOME TAX

Connecticut residents pay income tax based on adjusted gross income (AGI) from the federal tax return with certain adjustments. If a taxpayer's gross income is over \$12,500 (if single) or \$24,000 (if a married couple) then a state tax return must be filed and state income tax paid. The Connecticut tax rate is approximately 4.5% of the adjusted gross income from the federal tax return.

Connecticut Sales and Use Tax Exemption – Specific sales tax exemptions are available for individuals with disabilities. There are a number of exemptions

applicable to all individuals related to medical needs such as prescription and non-prescription drugs, and medicines including vitamins, oxygen, blood plasma and vital life support equipment. Sales and Use tax exemptions applicable only to people with disabilities: include: special equipment installed on a motor vehicle for a physically disabled person, services rendered at the residence of a permanent and totally disabled person, such as landscape work, snow removal, window cleaning, etc. In addition there are exemptions for: meals delivered to the home of person with a disability, telephone equipment for the deaf or blind and artificial devices designed for a particular person. This also includes sales of wheelchairs, walkers, crutches, etc. When in doubt about an exemption, ask the vendor or call the Connecticut Department of Revenue Services.

Local Property Tax Relief – Connecticut state law requires cities and towns to provide property tax relief for the disabled, elderly and blind. The amount of tax relief is based on income levels. There are property tax relief programs for disabled home owners and for renters. Individual towns and cities may have their own programs exempting some or all property tax on motor vehicles equipped for the handicapped. Each individual who is disabled, elderly, or blind should contact the assessor's office in their municipality to determine what programs are available. The telephone numbers are in the Government (blue) Section of the local telephone directory.

VETERANS ALL STATES

Veterans, especially disabled veterans from a war period, are entitled to several tax benefits from federal, state, and local governments. These benefits depend on the degree of disability and income level of the individual. Veterans with disabilities should contact the IRS, the Connecticut Department of Revenue Services, the Department of Motor Vehicles, and the local assessor's office to determine the benefits available.

TAX PREPARATION

There are some people who assist with taxes for free. It is also possible to go online to do your taxes. You can call the IRS for help at 1-800-829-1040 or call the State of Connecticut at 1-800-382-9463. You may also want to seek professional help and advice from a tax preparer due to the complexities of paying taxes when you have a disability. For free tax preparations go to one of the following website:

- [DRS: Free Income Tax Assistance - CT.gov](#)
- [VITA/EITC - CAHS - Connecticut Association for Human Services](#)
- [FREE tax preparation in your neighborhood! | United Way of Greater...](#)
- [Tax Preparation Help | Hartford Public Library](#)
- [Volunteer Income Tax Assistance \(VITA\) | New Opportunities Inc. of ...](#)
- [CT VITA Directory: Find a Free Tax Prep Center in Your ...](#)
- [Connecticut Income Taxes - eFile](#)
- [VITA Tax Filing - Community Renewal Team, Inc.](#)

Searches related to CT Free Tax Preparation

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SELECTED TAX TIPS

Four Ways to Get IRS Forms and Publications, IRS Tax Tip 2014-06, February 4, 2014

The IRS offers free tax forms and publications on many topics. Here are four easy ways to get the tax products you need from the IRS:

- **On the Internet.** Get everything you need 24 hours a day 7 days a week on www.irs.gov. Many products appear online before they're available on paper.
- **Order by Phone.** Call 1-800-TAX-FORM (1-800-829-3676) Monday through Friday, 7 a.m. to 7 p.m. local time. Hours of service in Alaska and Hawaii follow Pacific Time. You'll typically receive your order by mail within 7 to 10 days.

- **In IRS Offices.** Get the tax products you need at IRS Taxpayer Assistance Centers across the country. Visit www.irs.gov to find the nearest IRS Center. Select the 'Help and Resources' tab, and then click on 'Contact Your Local IRS Office.' Use the 'Office Locator' tool to search for the closest office by zip code. You can also select your state for a list of offices and services available at each office.
- **In Your Community.** Many libraries and post offices offer free tax forms during the tax filing season. Some libraries also have copies of common IRS publications.

TOP TEN TIPS TO HELP YOU CHOOSE A TAX PREPARER – IRS TAX TIP 2014-07, Feb. 5, 2014

Many people hire a professional when it's time to file their tax return. If you pay someone to prepare your federal income tax return, the IRS urges you to choose that person wisely. Even if you don't prepare your own return, you're still legally responsible for what is on it. Here are ten tips to keep in mind when choosing a tax preparer:

- **Check the preparer's qualifications.** All paid tax preparers are required to have a Preparer Tax Identification Number or PTIN. In addition to making sure they have a PTIN, ask the preparer if they belong to a professional organization and attend continuing education classes.
- **Check the preparer's history.** Check with the Better Business Bureau to see if the preparer has a questionable history. Check for disciplinary actions and for the status of their licenses. For certified public accountants, check with the state board of accountancy. For attorneys, check with the state bar association. For enrolled agents, check with the IRS Office of Enrollment.
- **Ask about service fees.** Avoid preparers who base their fee on a percentage of your refund or those who say they can get larger refunds than others can. Always make sure any refund due is sent to you or deposited into your bank account. Taxpayers should not deposit their refund into a preparer's bank account.
- **Ask to e-file your return.** Make sure your preparer offers IRS e-file. Any paid preparer who prepares and files more than 10 returns for clients generally

must file the returns electronically. IRS has safely processed more than 1.2 billion e-filed tax returns.

- **Make sure the preparer is available.** Make sure you'll be able to contact the tax preparer after you file your return - even after the April 15 due date. This may be helpful in the event questions come up about your tax return.
- **Provide records and receipts.** Good preparers will ask to see your records and receipts. They'll ask you questions to determine your total income, deductions, tax credits and other items. Do not use a preparer who is willing to e-file your return using your last pay stub instead of your Form W-2. This is against IRS e-file rules.
- **Never sign a blank return.** Don't use a tax preparer that asks you to sign a blank tax form.
- **Review your return before signing.** Before you sign your tax return, review it and ask questions if something is not clear. Make sure you're comfortable with the accuracy of the return before you sign it.
- **Ensure the preparer signs and includes their PTIN.** Paid preparers must sign returns and include their PTIN as required by law. The preparer must also give you a copy of the return.
- **Report abusive tax preparers to the IRS.** You can report abusive tax preparers and suspected tax fraud to the IRS. Use Form 14157, Complaint: Tax Return Preparer. If you suspect a return preparer filed or changed the return without your consent, you should also file Form 14157-A, Return Preparer Fraud or Misconduct Affidavit. You can get these forms at IRS.gov or by calling 800-TAX-FORM (800-829-3676).

Additional IRS Resources

- [Tax Topic 254](#) - How to Choose a Tax Return Preparer
- [Choosing a Tax Professional](#)
- [Verify the Status of an Enrolled Agent](#)
- [How to Make a Complaint About a Tax Return Preparer](#)
- [How to Report Suspected Tax Fraud Activity](#)