

**BROADMEAD**  
A Dynamic Lifestyle Community™

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January 30, 2024

TO: Residents & Other Responsible Parties

FROM: Jennifer Schilpp, CFO



RE: Broadmead Calendar Year 2023 Income Tax Deduction for Medical Expenses -  
2017 Type A Life Care Contracts

The Internal Revenue Service ("IRS") has ruled that a portion of the fees paid by residents of communities similar to Broadmead are considered a deductible medical expense when such fees are used to pay the cost of providing medical care, medicine and/or hospitalization. This is set forth in Revenue Ruling 67-185, 1967-1CB70 and other rulings. However, the IRS has not issued specific guidance as to how to calculate the amount of medical expenses or how those expenses should be allocated among Residents.

Under the IRS Revenue Rulings, residents may claim both a portion of their entrance fee and a portion of their monthly service fees as medical deductions in the year the entrance fee is paid. In subsequent years, a deduction is allowed for only a portion of the monthly service fees.

We have determined that the entrance fee deduction is \$58,800 for the first person and \$34,300 for the second person entrance fees paid in 2023. Additionally, the monthly fee deduction was determined to be \$1,110 per person per full month of residency.

Only the non-refundable portion of entrance fees may be used as deductions. Residents with refundable entry fees should consult their tax advisor before applying the full amount of the deduction to confirm whether limitations are applicable in their individual situation.



The medical deduction is entered on Form 1040 Schedule A (Itemized Deductions) on the line for "other medical and dental expenses" and is subject to the various limitations shown on Schedule A of the tax form.

The above calculation is a good faith estimate of the allowable medical deduction. However, you should be aware that Broadmead cannot assure you that the IRS will accept this calculation. If the IRS were to rule that part or all of the deduction is not allowable, you may have to pay interest in addition to the tax. Therefore, deductions you claim on your personal income taxes are your individual responsibility and should be based upon your own judgment along with that of your tax advisor.

**NOTE FOR TYPE C CONTRACT HOLDERS:**

Under current tax regulations, residents with Type C fee-for-service contracts at Broadmead do not qualify for medical deductions while living in independent living.