

Tax Breaks Available for Parents Helping Their Parents

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Sandwich Generation Feeling the Squeeze of Supporting Elderly Parents, Boomerang Kids

KANSAS CITY, MO, Mar 03, 2010 (MARKETWIRE via COMTEX) -- More than 40 percent of baby boomers who have a living parent are helping with their care.* Whether health or financial problems, or literally "giving back," millions of adults are assisting their parents with monetary support. Many also are raising children or supporting their Generation Y children, making them part of the sandwich generation.

The sandwich generation may find relief in the form of tax breaks. The \$3,650 qualifying relative exemption can help buffer expenses related with supporting parents. Non-relative qualifying dependents also may allow supporters to claim expenses associated with their care. The eligible expenses include food, lodging, clothing, education, medical and dental care, recreation and transportation.

These are the dependent qualifications for claiming adults:

- The taxpayer must provide more than 50 percent of the dependent's support costs
- The dependent must either live with the taxpayer all year or be related (e.g., parent, grandparent, stepparent, aunt or uncle)
- The dependent's gross income may not exceed the exemption amount, which is \$3,650 for 2009, unless the person is disabled
- The dependent must not file a joint return for the year, unless to claim a refund of taxes withheld
- The dependent must be a U.S. citizen, a U.S. national, or a resident of the U.S., Canada or Mexico.

If qualified dependents live with the taxpayers more than half of the year and physically or mentally cannot take care of themselves, taxpayers may qualify for the Child and Dependent Care Credit. This \$3,000 credit is for costs such as in-home care that enable the taxpayer and spouse to go to work.

"These tax breaks can be especially welcome benefits for those raising children while supporting their parents," said Amy McAnarney, executive director of The Tax Institute at H&R Block (NYSE: HRB).

Children also factor into the sandwich generation's tax scenario. Whether babies, in school or part of the Generation Y who has boomeranged back home, expenses associated with their care may be deductible. Qualifying children generally must:

- Be younger than 19 at the end of the tax year or younger than 24 and a full-time student for five months
- Be the taxpayer's child or stepchild, foster child, sibling or stepsibling, or a descendant of one of these
- Live with the taxpayer for more than half the year (some exceptions apply for birth, death, divorce, etc.)
- Be permanently and totally disabled, regardless of age
- Not provide more than half of their own support for the year.

The sandwich generation also might qualify for tax breaks, such as:

- American Opportunity Credit or Hope Credit
- Lifetime Learning Credit
- Medical expense deductions
- Student loan interest, tuition and fees deductions.

For more information visit H&R Block or call 1-800-HRBLOCK for the nearest tax professional who can assist with understanding the complexities of claiming dependents.

*2009 USA Today/ABC News/Gallup Poll

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