Automatic tax preparation software often makes the process of filing taxes convenient, but often these programs are not equipped to handle tax breaks available to disabled individuals. It is recommended that people with disabilities and/or their caregivers speak to a professional tax preparer when handling their taxes before April 15th.

For parents of children with disabilities stemming from hypoxic-ischemic encephalopathy (HIE), taxes can be especially challenging due to a number of differences in what can be deducted, what expenses can be written off, and other small but very important details surrounding their tax returns. These include medical expenses and dependency statuses.

Jump to:

Medical Expenses

First and foremost, due to the complexity of U.S. tax code, it is always advised to seek help from a certified public accountant (CPA) or other tax professional. They know the tax code inside and out. However, there are a few general rules that parents should know in regards to their child's medical expenses:

Medical deductions are claims in the year they are paid for, not the year they are provided. Qualified medical expenses must be itemized to be claimed on a tax return.
Qualified medical expenses that the parent paid for out-of-pocket can be deducted after they exceed a certain percentage of the parent's income. These medical expenses can include:

- Co-pays and deductible payments
- Prescription medication costs
- Certain therapies
- Transportation to and from medical care (gas, oil, parking, etc).
- Home modifications
- Lead remediation costs for parents whose child have or had lead poisoning
- Costs of specially-trained therapy animals

Dependency Status

In most cases, parents can claim their child on their tax returns as a dependent until they become adults at age 18. To claim a dependent on taxes, the child must make less than a specific income limit in gross income a year, and be living in the parent's home. They must also be classified as 'permanently and totally disabled,' as determined by a medical professional. These income limits change year-to-year; consult with a CPA regarding specific tax information.

An HIE diagnosis can be difficult, but our team is here to help. Call us when you're ready.

Child or Dependent Care Credits

Generally, if parents are employed and pay someone to care for their child while they are working, parents can often claim a dependent care credit (until the child is 13 years old). Parents who are looking for work, do not find a job, and have no income cannot claim this credit. If the child has disabilities, however, the 13-year-old age limit does not apply.

There are some other requirements for the dependent care credit:

The caretaker for the child *cannot* be:

- The child's parent
- A spouse of the child
- Or a taxpayer's child under age 19

Other relatives, however, can be caretakers for the purposes of this credit.

To claim the credit, use Form 2441: Child and Dependent Care Services.

Potential Tax Credits and Deductions for Disabilities

- Earned Income Tax Credit (EITC) (provided parents meet certain income-related requirements)
- Expenses paid to attend and transport oneself to a medical conference if the conference is

specifically about the chronic illness of you, your spouse, or your child
- Health Coverage Tax Credit
- Child or Dependent Care Tax Credit
- Tax Credit for the Disabled and Elderly

It is also worth noting that there are certain financial complexities regarding how certain settlements are taxed. Settlements relating to personal injury or illness are not counted towards gross income, but certain punitive damages are. If part of a settlement becomes taxable, it could mean that part of the dependent's SSI (which was not taxable before) may become taxable. Questions regarding the taxability of settlement amounts should be directed at a tax professional.

Note: The above information is a very short summary and is not comprehensive. Every person's tax situation is different, and the complexity and ever-changing nature of tax code means that it is highly advised to seek help from a tax professional (such as a tax attorney or a certified public accountant/CPA) when filing taxes as the parent of a disabled child. These tax professionals can make sure that families claim all the tax credits and deductions they are eligible for.

Record-Keeping for Tax Purposes

Parents of children with disabilities should keep tax records and associated documents (such as canceled checks, receipts, insurance reimbursement receipts, and other deduction- and credit-related documents) for as long as they are needed to substantiate the deductions included in an income tax return. Generally, the recommendation is to keep tax records for seven years.

About the HIE Help Center

The HIE Help Center is run by ABC Law Centers, a medical malpractice firm exclusively handling cases involving birth injuries since 1997. We provide free consultations, during which we will inform you of your legal options and answer any questions. You pay nothing throughout the entire legal process until we win! Contact us today to learn more about pursuing a case.