

FOR INCOME TAX PURPOSES

TO: Personal Care Non-contract Residents¹

FROM: Marianne Pessognelli
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DATE: February 3, 2017

SUBJECT: 2016 Medical Expense Percentage

The Internal Revenue Service (IRS) allows residents of Personal Care facilities, such as those at The Highlands at Wyomissing, to treat a portion of their daily service fees ("Per Diem Charges") as a medical expense. During the period January 1, 2016 through December 31, 2016, the single occupancy Per Diem Charges were as follows:

	<u>Period January 1, 2016 to June 30, 2016</u>	<u>Period July 1, 2016 to December 31, 2016</u>
Lower Level Studio	\$155	\$160
Upper Level Studio	\$174	\$179
Lower Level One Bedroom	\$187	\$193
Upper Level One Bedroom	\$210	\$216

Rice CPA, Independent Certified Public Accountant, reviewed The Highlands at Wyomissing's Personal Care non-contract revenues, expenses, and operations to determine what portion of the Per Diem Charges paid in 2016 can be treated as a deductible medical expense (subject to the 7.5% limitation found in Internal Revenue Service (IRC) Section 213).

Based upon this review, **43.79%** of the Per Diem Charges paid to The Highlands at Wyomissing for residence in the Personal Care unit can be treated as deductible medical expenses.

THE METHODOLOGY PRESCRIBED BY LAW TO ASCERTAIN THIS MEDICAL EXPENSE DEDUCTION IS NOT CLEAR OR SETTLED. THUS, THE PERCENTAGE NOTED IS SUBJECT TO AUDIT, REVIEW, AND DISALLOWANCE BY THE INTERNAL REVENUE SERVICE.

¹ *A Personal Care Non-contract Resident is a resident who did not enter into a Residence and Care Agreement for residential living in an apartment or cottage, or continuing care services.*