



**Collington does not give tax advice. The information in this packet is not and should not be construed to be tax advice. This information is provided for your convenience.**

**2022 Tax Information available at the following locations:**

- Clock Tower Front Desk
- Finance Office
- Administration Office

*This information may have been distributed electronically via email and is available upon request from the Finance Office.*

**Package Includes:**

- Medical Expense Deduction Letter – Monthly Fees
- Medical Expense Deduction Letter – Entry Fee
- Property Tax Letter
- Clergy Housing Memo

Please contact Courtney Corcoran if you have any questions. Please note, if your tax advisor calls, we will discuss any question or concern in general terms. We will not release any information specific to your circumstances without your approval.



February 1, 2023

**RE: Deductibility of a Portion of Monthly Service Fees**

Dear Resident:

The deductibility of medical expenses is allowed under section 213 of the Internal Revenue Code. Revenue Ruling 76-481, as well as several other rulings, approves the deductibility of a portion of service fees paid to retirement facilities for the provision of medical care. The most recent guidance we are aware of regarding the methodology required to compute a resident's medical expense is contained in the U.S. tax Court, Delbert L. and Margaret J. Baker V. Commissioner (122 T.C. No. 8). The method used to determine the medical expense deduction shown below is in accordance with the guidance provided in Baker v. Commissioner.

**Type A Contract**

*If you have a Life Care "Type A" contract with Collington, we have determined that **24.42%** of the monthly service fees paid, or **\$960 per person per month** (\$1,919 for double occupancy) during the calendar year ending December 31, 2022 may be deducted as an expense for medical care subject to the limitations prescribed in Section 213 of the Internal Revenue Code and related regulations.*

**Type C Contract**

*If you have a Fee for Service "Type C" contract with Collington, we have determined that **\$85 per person per month** (\$171 for double occupancy) during the calendar year ending December 31, 2022 may be deducted as an expense for medical care subject to the limitations prescribed in Section 213 of the Internal Revenue Code and related regulations. This contract does not include services in the health center; accordingly, the medical expense component of your monthly fee includes only the services of the Clinic and limited nursing oversight.*

**We recommend that you seek advice from your tax consultant/preparer to determine if you are entitled to a deduction on your tax return and what the appropriate amount of that deduction should be.**

For those residents residing in the Health Center, we recommend you seek advice from your tax consultant to determine what you are eligible to deduct as a medical expense on your 2022 individual tax return

The Internal Revenue Service has not approved the methodology used to compute the deductible amounts of fees paid by you. Accordingly, the Internal Revenue Service may challenge the amounts set forth. However, based upon historical precedent and current industry practice, we believe that the methodology employed is reasonable and appropriate.

There may be more aggressive approaches that could yield a higher deduction for you. We feel our methodology is defensible and supported by our calculations. It is your right as a taxpayer to deduct the amount you and your tax advisor feel is justified. **Collington does not give tax advice. This letter and the information herein and attached is not and should not be construed as tax advice. This information is provided for your convenience.**

Please note, if your tax advisor calls, we will discuss general terms of the issue. We will not release any information specific to your circumstances without your approval.

Sincerely,

A handwritten signature in black ink, appearing to read 'Cd', with a long horizontal flourish extending to the right.

Courtney Corcoran  
Chief Financial Officer



February 1, 2023

**RE: Deductibility of a Portion of Entry Fees**

Dear Resident:

Internal Revenue Service Revenue Rulings 75-302, 76-481 and 93-72 summarize the position of the IRS on the deductibility of a portion of the initial lump sum life-care fee paid by residents of a life-care facility. These rulings and the resulting deduction recognize that a portion of the initial lump sum entry fee in a life care community represents an expense for medical services to be rendered at a later date.

During 2007 there was a United States District Court Case, John O. Finzer, Jr. and Elizabeth M. Finzer v. United States of America (Case No. 06 C 2176) that provided some guidance as to the portion of the entry fee that is to be used to determine the medical expense deduction related to entry fees. Some of the guidance in Finzer v. U.S.A. case states that under a similar factual situation any portion of an entrance fee paid that is in excess of a standard small unit relates solely to the quality of the housing unit selected and has no relation to medical costs. On the last page of this correspondence is the 2022 entry fee for a standard one-bedroom unit under different contract options.

Collington is of the opinion that sufficient data exists to establish that a part of the initial non-refundable lump sum life-care fee can, if paid in 2022, be claimed by the resident as a medical expense deduction for the year. The IRS has not given clear guidance in this area and our consultant has followed the minimal guidance, which has been provided. There are varying interpretations of the existing regulations.

**We recommend that you seek advice from your tax consultant/preparer to determine if you are entitled to the deduction for your 2022 tax return and what the appropriate amount of that deduction should be.**

If you have a Life Care "Type A" contract with Collington, for entry fees paid in 2022 your deduction as an expense for medical care may be the lesser of **24.42%** of all non-refundable fees paid for entrance or **24.42%** of the entrance fee of a standard one bedroom unit, subject to the limitations prescribed in Section 213 of the IRS code and regulations and subject to you or your tax advisor's review of the guidance in Finzer v. U.S.A. described above.

If you have a Fee for Service “Type C” contract with Collington, it is our opinion that you are not entitled to a deduction for your entry fee, however; we encourage you to consult with your tax advisor on this issue.

If you claim a medical expense deduction for a portion of the initial lump sum life-care entry fee and later receive a partial or full refund of the entry fee, any such refund may be taxable in the year the refund is received.

For those residents residing in the Health Center, we recommend you seek advice from your tax consultant to determine what you are eligible to deduct as a medical expense on your 2022 individual tax return.

**Collington does not give tax advice. This letter and the information herein and attached is not and should not be construed as tax advice. This information is provided for your convenience.** If you have questions on this matter, please contact your tax advisor. The final decision and responsibility for your edibility to claim a medical expense deduction on your federal or state tax return in connection with an entry fee rests with you and your tax advisor.

Sincerely,



Courtney Corcoran  
Chief Financial Officer

**Entry Fee for a Standard One Bedroom Unit**

*Based on Price Sheet Effective January 1, 2022*

|                          |                   | Traditional Plan<br>Entry Fee<br>Fully Declining | 50% Refund Plan<br>Entry Fee<br>Partially Declining | 90% Refund Plan<br>Entry Fee |
|--------------------------|-------------------|--|---|------------------------------|
| One resident             | Baden - 1 Bedroom | \$113,975  | \$153,866   | \$216,553                    |
| Each additional resident |                   | +\$20,500  | +\$20,500   | +\$20,500                    |

February 1, 2023

**RE: Property Tax Credit**

Dear Resident:

As you may be aware, Maryland law allows residents of Continuing Care Retirement Communities (CCRC) who qualify to claim a credit with respect to their allocable share of property taxes paid by the CCRC.

The amount of the credit, if any, is equal to the amount by which the allocable share of property taxes (not in excess of the tax on a \$300,000 assessment) exceeds the "tax limit". The "tax limit" varies according to the combined household income. In order to qualify, the residents cannot have a combined income **greater than \$60,000 or assets greater than \$200,000.**

In order to obtain the credit, an application must be submitted to the State Department of Assessments & Taxation, together with a copy of the Residence and Care Agreement and this statement. *This statement is being provided solely for purposes of allowing those residents who qualify to claim the credit.* **Collington does not provide tax advice to residents. This letter and attachment(s) is not and should not be construed as tax advice.**

We note, however, that Collington's legal counsel has confirmed to us that in its view, **property taxes paid by Collington are not deductible as an itemized deduction of the resident for Federal income tax purposes.**

You will find a schedule of independent living units on the reverse of this letter showing the amount of property tax allocated to each type of unit.

**We recommend you consult with your tax advisor to determine the appropriate deduction, if any, on your federal or state income tax return for real property tax paid by Collington.**

If your tax advisor calls, we will discuss general terms of the issue. We will not release any information specific to your circumstances without your express prior approval.

Sincerely,



Courtney Corcoran  
Chief Financial Officer



| <i>Floor Plan</i>      | <i>Description</i>           | <i>Size*</i> | <i>Allocable<br/>Property Tax</i> |
|------------------------|------------------------------|--------------|-----------------------------------|
| <b>Apartment Homes</b> |                              |              |                                   |
| Accokeek               | Studio A                     | 487          | \$ 528                            |
| Ardmore                | Studio B                     | 521          | \$ 565                            |
| Baden                  | 1 Bedroom                    | 690          | \$ 748                            |
| Calvert                | 1 Bedroom Den                | 805          | \$ 873                            |
| Brinkley               | 1 Bedroom A3                 | 810          | \$ 878                            |
| Billingsley            | 1 Bedroom A1                 | 840          | \$ 911                            |
| Becket                 | 1 Bedroom R1                 | 920          | \$ 997                            |
| Belair                 | 1 Bedroom R2                 | 920          | \$ 997                            |
| Caledon                | 1 Bedroom Den A5             | 940          | \$ 1,019                          |
| Carrolton              | 1 Bedroom Den A              | 940          | \$ 1,019                          |
| Charles                | 1 Bedroom Den A2             | 940          | \$ 1,019                          |
| Lakeland               | 2 Bedroom 2 Bath             | 957          | \$ 1,038                          |
| Berwyn                 | 1 Bedroom R3                 | 1030         | \$ 1,117                          |
| Landover               | 2 Bedroom 2 Bath B           | 1060         | \$ 1,149                          |
| Lanham                 | 2 Bedroom Ext B1 no balcony  | 1060         | \$ 1,149                          |
| Marietta               | 2 Bedroom Den                | 1115         | \$ 1,209                          |
| Laurel                 | 2 Bedroom 2 Bath C           | 1140         | \$ 1,236                          |
| Lincoln                | 2 Bedroom 2 Bath C2          | 1140         | \$ 1,236                          |
| Lockwood               | 2 Bedroom 2 Bath C1          | 1140         | \$ 1,236                          |
| Montpelier             | 2 Bedroom Den E              | 1240         | \$ 1,344                          |
| Upsher                 | 1BR Den Deluxe               | 1260         | \$ 1,366                          |
| Morningside            | 2 Bedroom Den E1             | 1310         | \$ 1,420                          |
| Marlborough            | 2 Bedroom Den D              | 1320         | \$ 1,431                          |
| Muirkirk               | 2 Bedroom Den E3             | 1340         | \$ 1,453                          |
| Butler                 | 2 Bedroom Ren                | 1372         | \$ 1,487                          |
| Largo                  | 2 Bedroom 2 Bath Special C   | 1400         | \$ 1,518                          |
| Mt. Pleasant           | 2 Bedroom Den E2             | 1410         | \$ 1,529                          |
| James                  | 2 Bedroom Den Combo          | 1586         | \$ 1,719                          |
| Melford                | 2 Bedroom Den D1             | 1600         | \$ 1,735                          |
| <b>Villas</b>          |                              |              |                                   |
| Seabrook               | 2 Bedroom Den 1-car garage B | 1710         | \$ 1,854                          |
| Seat Pleasant          | 2 Bedroom Den 1-car garage C | 1755         | \$ 1,903                          |
| Snowden                | 2 Bedroom 1-car garage D     | 1755         | \$ 1,903                          |
| Washington             | 3 Bedroom 2-car garage E     | 2110         | \$ 2,288                          |
| Woodmore               | 3 Bedroom 2-car garage A     | 2110         | \$ 2,288                          |

| <i>Floor Plan</i>    | <i>Description</i>   | <i>Size*</i> | <i>Allocable<br/>Property Tax</i> |
|----------------------|--|--------------|-----------------------------------|
| <b>Cottage Homes</b> |  |              |                                   |
| Arlington            | Studio A   | 487          | \$ 528                            |
| Adams                | Studio with Den 2BA  | 532          | \$ 577                            |
| Baltimore            | 1 Bedroom  | 660          | \$ 716                            |
| Baltimore Sun        | 1 Bedroom with Sunroom   | 660          | \$ 716                            |
| Columbia             | 1 Bedroom Den  | 805          | \$ 873                            |
| Camden               | 1 Bedroom Den A  | 851          | \$ 923                            |
| Canterbury           | 1 Bedroom Den B  | 911          | \$ 988                            |
| Dougherty            | 1 BR Open Kitchen, 1.5 Bath, Sunroom                           | 946          | \$ 1,026                          |
| Lexington            | 2 Bedroom 2 Bath   | 1004         | \$ 1,088                          |
| Marlton              | 2 Bedroom Den  | 1115         | \$ 1,209                          |
| Deller               | 2BR 2BA with Den   | 1165         | \$ 1,263                          |
| Aldrich              | 2BR Den 2Ba OpenKit  | 1190         | \$ 1,290                          |
| Mitchellville        | 2 Bedroom Den Special  | 1190         | \$ 1,290                          |
| Clow                 | 1 BR Den, Open Kit w/Island, 1 Ba, Sunroom                     | 1195         | \$ 1,296                          |
| Nottingham           | 2 bedroom 2 BA Combo   | 1200         | \$ 1,301                          |
| Nelms                | 2BR 2Ba Open Kitchen   | 1297         | \$ 1,406                          |
| Kettering            | 2 Bedroom 1.5 Bath   | 1430         | \$ 1,550                          |
| Coughlin             | 2 Bedroom Den with Open Kitchen 2Ba                            | 1435         | \$ 1,556                          |
| Norcross             | 2 BR 2 BA Den Comb   | 1564         | \$ 1,696                          |
| McHenry              | 2 Bedroom Den Combo  | 1465         | \$ 1,588                          |
| Schnaubelt           | 2 BR-Open Island Kitchen, Sunroom, 2.5 Bath                    | 1538         | \$ 1,667                          |
| Turner               | 1 BR Den   | 1380         | \$ 1,496                          |
| Wallace              | 2 BR Den-Open Kitchen, Library, 2.5 Bath                       | 1634         | \$ 1,772                          |
| Langley              | 2 Bedroom Den Combo  | 1702         | \$ 1,845                          |
| Jackson              | 2 BR Den-Open Kitchen, 2 Bath-2 Patios                         | 1870         | \$ 2,027                          |
| Wall                 | 2 BR Den-Open Kitchen, Library, 2.5 Bath                       | 1937         | \$ 2,100                          |
| Amman                | 2 BR Den & Open Island Kit, 2.5 Bath, Sunroom-2 Patios         | 2068         | \$ 2,242                          |
|                      | <i>* Sizes may be approximate; some floor plans may differ</i> |              |                                   |





February 1, 2023

**RE: Housing Allowance for Qualifying Clergy**

Dear Resident:

Under Internal Revenue Code section 107, certain qualifying clergy may be entitled to exclude the cost of their housing from taxable income. We have determined that for the year ending December 31, 2022:

If you have a Type A Lifecare Agreement:

- 25.39% of your monthly service fee was for medical expenses.
- 40.52% of your monthly service fee was for housing (rental) costs.
- 34.09% of your monthly service fee was for other costs, including housekeeping, dining, and certain administrative costs.

If you have a Type C Fee-For-Service Agreement:

- 00.69% of your monthly service fee was for medical expenses.
- 53.93% of your monthly service fee was for housing (rental) costs.
- 45.38% of your monthly service fee was for other costs, including housekeeping, dining, and certain administrative costs.

We have not requested a private letter ruling regarding these calculations or regarding the deductibility or the amount of the allowable deduction. This information is provided for your use and **is not and should not be construed as tax advice.**

Please let me know if we can provide any additional information and thank you for the opportunity to be of service.

Sincerely,

A handwritten signature in black ink, appearing to be "C. Corcoran", with a long, sweeping horizontal line extending to the right.

Courtney Corcoran  
Chief Financial Officer