

February 4, 2022

Navigation Members  
Navigation by Salemtowne  
1000 Salemtowne Drive  
Winston-Salem, NC 27106

**Re: 2021 Calendar Year Member Medical Deduction – Navigation by Salemtowne**

Dear Navigation Members:

We have been engaged by the management of Navigation by Salemtowne to prepare the member medical expense deduction calculation and related letter outlining our analysis of the monthly service fees and membership fees paid for the 2021 tax year. We have provided the results of our analysis below.

In accordance with the Internal Revenue Code of 1954, Section 213 and Revenue Rulings 67-185, 68-525, 75-302, 76-481, PLR 8213102, and Federal Tax Case Baker v. Commissioner, members of Navigation by Salemtowne may be entitled to deduct as a medical expense a portion of the monthly service fees and/or membership fees which represent medical care in the year paid.

The Internal Revenue Code does not provide definitive guidance on a formal method for computing the deductible portion of monthly service fees and entrance fees. Utilizing the information provided by the management of Navigation by Salemtowne and the applicable Internal Revenue Service's Rulings and Regulations, we have provided the information necessary to allow residents and their tax advisor to determine the amount of their eligible medical expense deduction based upon both interpretations. The Internal Revenue Code does not contain detailed guidance on how to compute, therefore each resident should consult with their tax professional as to the ultimate deduction and disclosure decisions based on their individual situation. In the event that a resident paid less than an amount listed below, the resident and their tax advisor would need to make a reasonable determination of the deductible amounts that do not exceed the stated amounts.

**Navigation Monthly Service Fees** - A portion of amounts paid by Navigation members for monthly service fees may be deducted as a medical expense. The medical expense deduction outlined below has been calculated to comply with Baker v. Commissioner. Therefore, deductions are stated as dollar amounts which are based on the number of members and the average monthly service fees. Due to the variance in average monthly service fees paid by couples versus single members and the membership plan, the deductible portion of medical expenses has been calculated for both single members and couples for each plan. The 2021 calculated portion of medical expenses per our current year analysis associated with monthly service fees for independent living residents is:

	<b>Inclusive Plan</b>	<b>Enhanced Plan</b>	<b>Classic Plan</b>	<b>Access Plan</b>
<b>Single</b>	\$483	\$415	\$371	\$324
<b>Couple</b>	\$918	\$789	\$706	\$615

\* These amounts are stated on a per month basis. Therefore, they should be multiplied by the total number of months a member was a member of Navigation by Salemtowne during the 2021 year.

**Navigation Membership Fees** – Members who paid membership fees during 2021 may be eligible to receive a one-time deduction for the non-refundable portion of membership fees paid. Due to the variance in average membership fees paid by couples versus single members, plan type and member age the deductible portion of medical expenses has been calculated for each category. The table below is used to illustrate the potential medical portion of expenses associated with membership fees under each plan. For the couple amounts listed below, the table provides an illustration of the potential deduction in a scenario where both individuals are the same age at the time of paying the membership fee.

<b>Age</b>	<b><u>Inclusive Plan</u></b>		<b><u>Enhanced Plan</u></b>		<b><u>Classic Plan</u></b>		<b><u>Access Plan</u></b>	
	<b>Single</b>	<b>Couple</b>	<b>Single</b>	<b>Couple</b>	<b>Single</b>	<b>Couple</b>	<b>Single</b>	<b>Couple</b>
<b>65</b>	\$28,801	\$54,722	\$23,298	\$44,267	\$19,093	\$36,276	\$21,568	\$32,935
<b>75</b>	\$46,677	\$88,686	\$47,527	\$72,576	\$29,736	\$56,499	\$25,467	\$48,387
<b>85</b>	\$65,517	\$124,483	\$53,706	\$102,042	\$40,646	\$77,228	\$35,269	\$67,011

\*If the member paid membership fees under an age category or contract not listed above or the couple was not the same age at the time of becoming members, then the members could multiply the membership fee paid by 76.4% to determine the applicable amount.

The medical portions above represent full contract amounts. If a resident paid less than the full contract amount in 2021, the resident should consult with their tax advisor to determine their deductible portion.

If the member ultimately receives a refund of membership fees, then 76.4% of the amount refunded should be included in the taxpayer's gross income in the year the refund is received.

The medical amounts have been calculated based on information provided to us by the management of Navigation by Salemtowne. The information in this letter is intended to be used strictly by the members of Navigation by Salemtowne. It is not to be distributed to or used by anyone other than the members of Navigation by Salemtowne. Members should ultimately consult their tax advisor to determine what portion, if any, of their monthly service fees and/or membership fees may be deductible as a medical expense as well as any additional disclosure requirements.

Sincerely,

DIXON HUGHES GOODMAN LLP



Amy Bibby, CPA

Partner