



FOR INCOME TAX PURPOSES

TO: Personal Care/ Assisted Living Non-contract Residents¹

FROM: Kevin P. DeAcosta
Chief Financial Officer

DATE: February 1, 2010

SUBJECT: 2009 Medical Expense Percentage

The Internal Revenue Service (IRS) allows residents of Personal Care/Assisted Living 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. The 2009 single occupancy Per Diem Charge was \$149.00 for a Studio unit and \$179.00 for a One-Bedroom unit.

Alan Ross & Company, PC, Independent Certified Public Accountants, reviewed The Highlands at Wyomissing's Personal Care/Assisted Living non-contract revenues, expenses, and operations to determine what portion of the Per Diem Charges paid in 2009 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, **36.50%** of the Per Diem Charges paid to The Highlands at Wyomissing for residence in the Personal Care/Assisted Living 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/Assisted Living 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.*