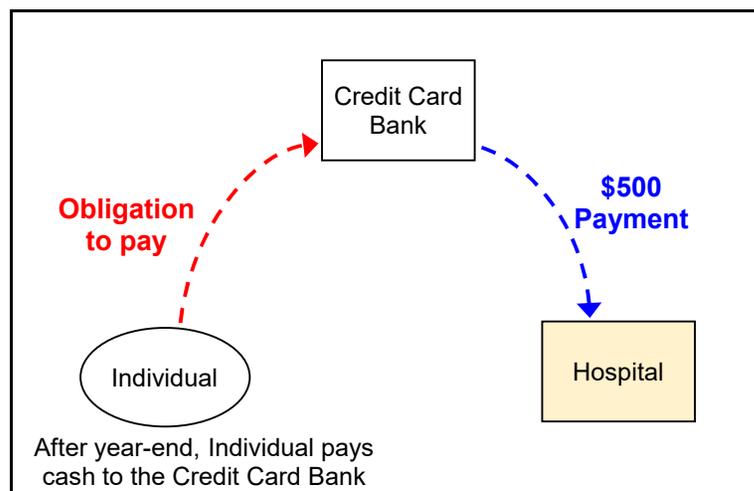
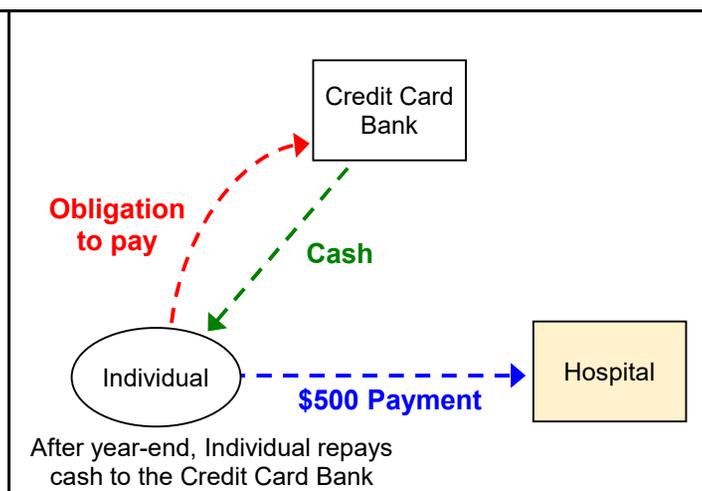


Medical Expense Via Credit Card: Deductible in Year Charge Was Made

Payment Via Credit Card



Equivalent Transaction



On November 15, 1976, the cardholder used the bank credit card to pay a hospital \$500 for medical services rendered to the cardholder. The bank billed the cardholder for this charge in December 1976, but the cardholder made no payment until January 1977. The cardholder paid the full amount of the indebtedness to the bank during the course of calendar year 1977. The question was whether the \$500 payment was a medical expense deduction in 1976.

Section 213(a) generally allows as a deduction expenses paid during the taxable year for medical care. When the cardholder used the bank credit card to pay the hospital for the medical expenses, the cardholder became indebted to a third party (the bank) in such a way that the cardholder could not prevent the hospital from receiving payment. The credit card draft received by the hospital from the cardholder could be deposited in the bank and credited to the hospital's account as if it were a check.

Since the cardholder's use of the bank credit card created the cardholder's own debt to a third party, the use of the bank credit card to pay a hospital for medical services is equivalent to use of borrowed funds to pay a medical expense. The general rule is that when a deductible payment is made with borrowed money, the deduction is not postponed until the year in which the borrowed money is repaid. Such expenses must be deducted in the year they are paid and not when the loans are repaid. *Granan v. Commissioner*, 55 T.C. 753 (1971). Accordingly, the \$500 payment made by bank credit card to the hospital is a medical expense deduction in 1976.