

Abstract: Americans who are 65 and older qualify for basic Medicare insurance, but they may need to pay additional premiums to get the level of coverage they desire. The premiums can be expensive, especially for married couples who must pay separately for each spouse. As this article explains, however, the premiums might help lower your tax bill.

Seniors: Medicare premiums could lower your tax bill

Americans who are 65 and older qualify for basic Medicare insurance, but they may need to pay additional premiums to get the level of coverage they desire. The premiums can be expensive — especially if you're married and both you and your spouse are paying them. One aspect of paying premiums might be a positive, however: If you're eligible, they may help lower your tax bill.

Premium tax deductions

Premiums for Medicare health insurance can be combined with other qualifying health care expenses for purposes of possibly claiming an itemized deduction for medical expenses on your individual tax return. This includes amounts for “Medigap” insurance and Medicare Advantage plans.

Some people buy Medigap policies because Medicare Parts A and B don't cover all their health care expenses. Coverage gaps include co-payments, co-insurance, deductibles and other costs. Medigap is private supplemental insurance that's intended to cover some or all gaps.

Fewer itemizers

Qualifying for a medical expense deduction can be difficult for a couple of reasons. For 2019, you can deduct medical expenses only if you itemize deductions and only to the extent that total qualifying expenses exceeded 7.5% of AGI.

The Tax Cuts and Jobs Act nearly doubled the standard deduction amounts for 2018 through 2025. For the 2019 tax year, the standard deduction amounts are \$12,200 for single filers, \$24,400 for married joint-filing couples and \$18,350 for heads of households. So, fewer individuals are claiming itemized deductions. However, if you have significant medical expenses (including Medicare health insurance premiums), you may be able to itemize and collect some tax savings.

Important note: Self-employed people and shareholder-employees of S corporations can generally claim an above-the-line deduction for their health insurance premiums, including Medicare premiums. That means they don't need to itemize to get the tax savings from their premiums.

Other deductible medical expenses

In addition to Medicare premiums, you can deduct a variety of medical expenses, including those for ambulance services, dental treatment, dentures, eyeglasses and contacts, hospital services, lab tests, qualified long-term care services, prescription medicines and others.

Keep in mind that many items that Medicare doesn't cover can be written off for tax purposes, if you qualify. You can also deduct transportation expenses to get to medical appointments. If you go by car, you can deduct a flat 20-cents-per-mile rate for 2019.

More information

Health care costs are on the minds of most people right now in light of the coronavirus (COVID-19) outbreak. Contact us with any questions about recently passed tax relief, Medicare coverage options or claiming medical expense deductions on your personal tax return.