

# Seniors: Medicare premiums could lower your tax bill

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Americans who are 65 and older qualify for basic Medicare insurance, and 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. But one aspect of paying premiums might be positive: If you qualify, they may help lower your tax bill.

## Medicare premium tax deductions

Premiums for Medicare health insurance can be combined with other qualifying health care expenses for purposes of 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 people now itemize

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 10% of AGI. (This threshold was 7.5% for the 2018 tax year.)

The Tax Cuts and Jobs Act nearly doubled the standard deduction amounts for 2018 through 2025. For 2019, 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 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. 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.

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, or you can keep track of your actual out-of-pocket expenses for gas, oil and repairs.

## **Need more information?**

Please contact us if you have additional questions about Medicare coverage options or claiming medical expense deductions on your personal tax return. We can help determine the optimal overall tax-planning strategy based on your personal circumstances.

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