

Seniors may be able to write off Medicare premiums on their tax returns

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Are you age 65 and older and have basic Medicare insurance? You may need to pay additional premiums to get the level of coverage you want. The premiums can be expensive, especially if you're married and both you and your spouse are paying them. But there may be a bright side: You may qualify for a tax break for paying the premiums.

Medicare premiums are medical expenses

You can combine premiums for Medicare health insurance with other qualifying medical expenses for purposes of claiming an itemized deduction for medical expenses on your 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, coinsurance, deductibles and other costs. Medigap is private supplemental insurance that's intended to cover some or all gaps.

Itemizing versus the standard deduction

Qualifying for a medical expense deduction is hard for many people for a couple of reasons. For 2021, you can deduct medical expenses only if you itemize deductions and only to the extent that total qualifying expenses exceeded 7.5% of adjusted gross income.

The Tax Cuts and Jobs Act nearly doubled the standard deduction amounts for 2018 through 2025. Accordingly, fewer individuals are claiming itemized deductions. For 2021, the standard deduction amounts are \$12,550 for single filers, \$25,100 for married couples filing jointly and \$18,800 for heads of household. (For 2020, these amounts were \$12,400, \$24,800 and \$18,650, respectively.)

However, if you have significant medical expenses, including Medicare health insurance premiums, you may itemize and collect some tax savings.

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. So, they don't need to itemize to get the tax savings from their premiums.

Medical expense deduction basics

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

There are also many items that Medicare doesn't cover that can be deducted for tax purposes, if you qualify. In addition, you can deduct transportation expenses to get to medical appointments. If you go by car, you can deduct a flat 16-cents-per-mile rate for 2021 (down from 17 cents for 2020), or you can keep track of your actual out-of-pocket expenses for gas, oil and repairs.

Claim all eligible deductions

Please contact us if you have additional questions about claiming medical expense deductions on your tax return.

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