

# Seniors: Can you deduct Medicare premiums?

Published June 9, 2020

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

## Tax deductions for Medicare premiums

You can combine premiums for Medicare health insurance with other qualifying health care 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, co-insurance, deductibles and other costs. Medigap is private supplemental insurance that's intended to cover some or all gaps.

## Many people no longer itemize

Qualifying for a medical expense deduction may be difficult for a couple of reasons. For 2020 (and 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. Accordingly, fewer individuals are claiming itemized deductions. For 2020, the standard deduction amounts are \$12,400 for single filers, \$24,800 for married couples filing jointly and \$18,650 for heads of household. (For 2019, these amounts were \$12,200, \$24,400 and \$18,350, 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 written off 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 17-cents-per-mile rate for 2020 (down from 20 cents for 2019), or you can keep track of your actual out-of-pocket expenses for gas, oil and repairs.

## **We can help**

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 situation.

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