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Are health insurance premiums tax-deductible?

5 min read

By [Les Masterson](#) Posted : March 11, 2020



[Health insurance](#) can be tax-deductible, but it depends on the health care services and how much you spend.

Few taxpayers qualify for the deduction. Even fewer understand the specifics.

George Birrell, certified public accountant and founder of [Taxhub](#), said the limits and how to apply for them can be confusing. One of the biggest points of confusion is what qualifies as a medical expense.

“For example, tuition for children who require special needs is considered a medical expenditure, but most consumers do not realize this and often miss this deduction,” Birrell said.

People also think they’re able to deduct all health insurance coverage. That’s not the case. For instance, you can’t deduct what your employer pays for your coverage. Another example is when your health plan covers a percentage of your health care services.

Let's say you go to the doctor and receive \$100 worth of services. If your health plan covers 75% of that \$100, you can't put in all \$100 for a deduction.

"This means that you can only write off \$25 as part of your costs because your insurance company is covering the rest," said Jack Choros, content manager at [Iron Monk Solutions](#).

Now, let's take a look at how to deduct medical expenses from your federal income taxes.

Who qualifies for medical-expense tax deductions?

The first question to answer is: How much eligible health care costs do you have?

The Internal Revenue has two critical eligibility rules for people who don't own a business:

- A standard deduction is \$12,200 for singles, \$18,350 for heads of household and \$24,400 for married joint filers. If your tax-deductible health insurance costs don't exceed those limits, it's best to go with a standard deduction instead.
- Your health care costs must exceed 7.5% of your adjusted gross income (AGI) for 2019 tax filings. The AGI is what you earn in wages, investments and other sources minus things like alimony and student loan interest. You can find your AGI on line 37 of Form 1040. The threshold will increase to 10% for the 2020 tax filings.

Chris Peterson, tax manager, [CB Smith & Associates](#), said most people take the standard deduction rather than itemize health care deductions because they don't exceed the standard deduction level.

Are health insurance premiums tax-deductible?

Health insurance premiums are often eligible for the tax deduction. You can only deduct the premiums that you pay. Not what your employer spends for your coverage.

You also can't deduct health insurance premiums if your employer or the government pays all of your premiums.

What other medical costs are tax-deductible?

If you reach the two above requirements, you can include nearly all out-of-pocket medical expenses that a doctor or health care professional suggests.

Common items you can deduct from taxes include medical appointments, surgeries, tests, prescription drugs and durable items like wheelchairs, prescription glasses, home care, guide dog or service animal and wigs for patients who lost their hair due to illness.

You can also deduct transportation expenses for going to the doctor -- parking, tolls, mileage, cab or bus fares -- and even airfare and certain lodging costs for out-of-town treatments. (See [IRS Publication 502](#) for a list.)

But remember, you can only write off out-of-pocket expenses -- copays, deductibles, etc. -- not bills that your insurance covers.

Alan Steeples, certified public accountant and tax services manager at [InConcert Financial Group](#), said the key to whether something is eligible for tax deduction is if a medical professional prescribed or recommended it. That can even include whirlpools for severe arthritis and air purification systems for patients with asthma. On the flip side, over-the-counter medication and vitamins aren't usually eligible for deductions.

“Rule of thumb: If it’s not prescribed or recommended by a physician, you can’t write it off,” Steeples said.

What is and isn't tax deductible?

What's tax deductible?



Doctors' appointments



Medical tests



Prescription drugs



Health insurance copays



Health insurance deductibles



Transportation to appointments

What's not tax deductible?



Premiums



Over-the-counter drugs



Medical marijuana






Cosmetic surgery



Health care that was covered by a health savings account or flexible spending account

Check our Health insurance offers for you

| Company | Offer | Get Your Personalized Quote |
|---|---|-----------------------------|
|  | 1. Compare the LOWEST rates you will find from Aetna, Anthem, and Humana. | GET QUOTES |
|  | Top plans from the nation's most trusted carriers | GET QUOTES |
|  | Search Plans That Fit Your Needs | GET QUOTES |

Writing off health insurance for the self-employed

Peterson said self-employed people that aren't considered an [S Corporation](#) can deduct health insurance premiums as an adjustment to your gross income.

"S-corp shareholders have to put their premiums on their W-2 Forms. This is where the corporation deducts the premiums, essentially, as additional salaries and wages paid," Peterson said.

Serrano said self-employed people with a net profit for the year can deduct medical and health expenses without itemizing expenses.

"There's no need to itemize because it's an adjustment to your income," Serrano said.

Steeple said that most self-employed business owners can write off medical insurance premiums as an above-the-line deduction.

"These deductions reduce the business owner's AGI dollar for dollar and can be significantly more advantageous than including their premiums in their itemized deductions," Steeple said.

Choros also said self-employed people are likely charging clients sales tax. "This means you can write off the sales tax when you're paying for medication or health care. If you were employed by the company as an employee, you would not be able to do this," Choros said.

Self-employed people can deduct health insurance premiums directly on Form 1040 (Line 29 on returns). You deduct all other qualified medical expenses on Schedule A, Line 1.

How to maximize your health care deductions

You can't control when you need health care. However, you can bunch up procedures to maximize deductions.

Say you have a handful of nagging health issues. They're not life-threatening, but they're affecting your quality of life. You could decide one year to get all of those pesky problems fixed, reach the tax-deductible threshold and apply for a deduction at tax time.

One last piece of advice -- you don't need to attach receipts to your 1040, but it's a good idea to keep them for three years after filing your return just in case the IRS audits you.

Getting tax deductions for your health insurance isn't usually possible. However, if you've had a year filled with doctor visits, medications and procedures, you should check to see whether you're eligible for a tax deduction.