

## Q: IS HEALTH INSURANCE EVEN DEDUCTIBLE TODAY?

A: **IT'S COMPLICATED**...To answer your question, I will do the best I can to tell you HOW it is deductible. Health Insurance is deductible on Schedule A Itemized Deductions of an individual income tax return, but there are a hierarchy of rules that you have to go through to see if you can use this form.

First, everyone is allowed a standard deduction for their tax return according to their filing status. Standard deduction amounts change annually. Single or Married Filing Separately taxpayers get \$6,200, Married Filing Joint or Qualifying Widower taxpayers get \$12,400, and Head of Household taxpayers get \$9,100 for a standard deduction in 2014. For all intents and purposes the amount that Congress approves includes part of your health insurance because it is part of the allocation of expenses in order to determine the standard deduction each year.

Second, if you have expenses that are over the standard deduction for the following expenses: Medical, Taxes, Mortgage Interest, Contributions, and other deductions relating to your W-2 wage job or investment income then you would use Schedule A to document the qualified expenses in order to take the itemized deductions rather than the standard deduction. It is also referred to as "going long form" by using this schedule.

The next consideration in order to use health insurance as an itemized deduction is that ALL medical expenses must be more than 10% of the last line on the first page of your Form 1040 Individual Tax Return. Medical expenses include: Prescriptions, Copays (and amounts insurance company didn't cover) to doctors, dentists, nurses, hospitals, nursing homes, Medical Insurance, Long Term Care Insurance, lodging and transportation, glasses/contacts, and any prescribed apparatus. Once you total all of these expenses you must subtract 10% (7.5% if you are over age 65) of the last line on your Form 1040 (also called Adjusted Gross Income or AGI). Any amount remaining after your subtraction will be reported along with the other categories on this schedule. That means that you are getting a deduction for your health insurance, but how much is determined by the Total Amount paid for Medical Deductions and how much you have to deduct for the 10% AGI. But there is still more to consider.

You can use the medical deduction that remains (partly your health insurance) and then you have to complete the rest of schedule A to see if you have more than the amount of standard deduction allowed according to your filing status. Note: Other Expenses is the only other category that requires you to deduct a percentage of your AGI. If you get to the bottom of Schedule A and the total is more than the standard deduction then you use the Schedule A Itemized Deductions instead of your standard amount allowed on the back on Form 1040 when calculating your taxable income.

The only other deduction spot on a Form 1040 Individual Income Tax Return for health insurance is if you are self-employed. You would enter the amount for the amount paid for health insurance on the front of Form 1040, line 29 if you filed a Schedule C Profit or Loss from Business (sole proprietorship).

Other than Schedule A and on the first page of your income tax form if you are self-employed, there is one more consideration to deducting health insurance. If the amount of your AGI (the last line on Form 1040) is less than \$40,000 then you would ALSO QUALIFY FOR A CREDIT for health insurance. In order to qualify for assistance with your health insurance and/or the credit, you must sign up with the federal or state health portal for your insurance. In California, the website is [www.coveredca.com](http://www.coveredca.com). Sign up now, there is a special window that was opened

on March 15<sup>th</sup> and it will be open until April 30<sup>th</sup> to make sure that people are getting the proper health insurance coverage. Don't listen to all the negative garbage on the TV, sign up now.

The really sad thing is that your employer and insurance companies which are going to be overcharging employers and you if you are not informed. They got a two year reprieve so neither of them have to ask if you qualify for assistance and/or the credit on your tax return until January 2016. I have been encouraging all my clients to sign up online because that is also the only place to get the real insurance that the government wants you to have is online. The real insurance includes FREE preventative care and checkups. This is also the only place that you can see the actual plans that are protecting your rights,, like pre-existing conditions cannot be turned down. Health insurance should be for everyone in the big pool of the United States of America. People should not have to go bankrupt for medical expenses because they cannot afford insurance. We as taxpayers pay for that too and it dictates larger interest rates for loans and credit cards.

The government will only allow 4 basic plans so that it will be easy to choose rather than an insurance company running a scam on you or your employer. The plans are Bronze, Silver, Gold, and Platinum. Bronze costs the least and has the largest deductibles for health insurance and Platinum is the most expensive and has the smallest deductibles for health insurance. You chose the plan and then the government will assist by giving you money to help pay for it and/or a credit on your income tax return.

Unlike the negative TV garbage you see, we are not providing socialist medicine. There is still free market capitalism with insurance companies advertising for your business by giving you more and FREER services in order for you to choose their insurance coverage. AND one main point why there has always been such a push for standardized insurance was due to the Low Income households using our Emergency Rooms as their Primary Care Physicians. You and I as taxpayers ending up paying for this expense. It isn't fair to hospitals that should be spending their resources for REAL EMERGENCIES. Hospitals are threatened financially by these low income households not being able to pay for their services. We can't go to the Emergency Room for something that isn't life threatening, so why should they.

The law allows a hospital to turn away someone that is just using them and they have had a year and a half to send the letters out to those who are abusing their emergency room. The letters being sent state that the person will no longer be allowed in if there is not a life-threatening emergency. These people are told that they must go to their primary care physician for non-life-threatening emergencies in the future in the most polite way possible.

If you have made it this far, thank you for listening to my rant. I think that it is real important that people start taking responsibility and that all of us are entitled to health insurance. Please feel free to pass this information on to all of your family and friends. I want everyone to know the truth about health insurance and that we should fight to keep it affordable for every American. Every civilized country in the world has affordable medical care, why not Americans...

Written by  
Caran Ebert, CPA  
(775) 341-1719