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Subject: Income tax subtraction for Medicare Part B premiums

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This bill allows an income tax subtraction for Medicare Part B premiums. Under current law, an individual who itemizes deductions is allowed to deduct the cost of medical expenses, including premiums paid for insurance, to the extent those expenses exceed 10 percent of adjusted gross income. Premiums paid for Medicare Part B coverage (covering medical care other than hospitalization (Part A) or pharmaceuticals (Part D)) qualify for the itemized deduction. The subtraction would be allowed if the individual does not claim the medical expense deduction or to the extent the premiums are less than the 10-percent threshold. This should allow nearly all individuals to qualify for the deduction, even if they itemize and deduct medical expenses.

The bill (section 2) provides that the purpose of the subtraction is to reduce health care costs of seniors.

Effective date: tax year 2017

Background: Individuals who receive social security or railroad retirement benefits have Part B premiums deducted from their monthly benefit payment; other Medicare enrollees are billed for premiums. The premium amount depends on the individual's modified adjusted gross income (MAGI), with calendar year 2017 premiums based on 2015 MAGI. For 2017, the monthly Part B premium is \$134 (\$1,608 annually) for individuals with MAGI below \$85,000 (\$170,000 for married couples filing joint returns).

Higher-income individuals also pay an income related monthly adjustment amount. The maximum monthly Part B premium for 2017 is \$428.60 for individuals with MAGI above \$214,000 (\$428,000 for married couples filing joint returns, and \$129,000 for married couples filing separate returns).