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7 Little-known Tax Tips (part 2)

In my previous article, I wrote about 3 out of 7 little-known tax tips that you may miss out on in your tax returns. Let me briefly recap on what those 3 tips are:

1. Claim your Making Work Pay Credit
2. Claim a tax break for supporting a struggling relative
3. Claim for your expenses in looking for a job

Now we continue with the remaining 4 tax tips.

4. Medicare and Long-term care premiums can be deducted

Only if your unreimbursed medical expenses (including health insurance premiums) exceed 7.5% of your adjusted gross income (AGI) can you claim a Schedule A itemized deduction for them. In order to have your AGI exceed 7.5%, you should include the following:

a) Premiums for various parts of Medicare, in particular:

- Medicare Part B coverage, which for 2010 ranged from \$1,157 to \$4,243 per covered person — depending on your income level.

- Medicare Part C coverage (so-called Medicare Advantage HMO-type coverage).
- Medicare Part D coverage (prescription drugs).
- Medicare supplemental insurance (so-called Medigap coverage).

b) Premiums for qualified long-term care insurance, subject to the 2010 age limits per covered person.

5. Include Medicare Part B insurance in Self-employed Health Insurance deductions – for business owners only

In the self-employed health insurance deduction provision, you as a sole proprietor, partner, limited liability company (LLC) member and S corporation shareholder can deduct qualified health insurance premiums paid to cover yourself and eligible family members.

Furthermore, you do not need to itemize the deduction because the IRS allows you to include your Medicare Part B premiums as a line 29 write off (i.e. you claim it on line 29 at page 1 of your Form 1040). Medicare Part B premiums for 2010 were between \$1,157 and \$4,243 per person. The additional write-off from these premiums could mean you pay hundreds of dollars less in your tax bill.

6. Subtract Health Insurance deduction when calculating self-employment tax if you are self-employed

This year, if you are self-employed you are allowed to subtract the aforementioned Line 29 write-off for self-employed health insurance premiums (including Medicare Part B premiums) when calculating your self-employment tax liability on Schedule SE.

What you should do is subtract the self-employed health insurance

deduction in arriving at the amount you enter on Line 3 in Section A of Schedule SE. This little tip can save you a bundle in your tax bill.

7. Deduct fees when you pay taxes with your credit card

If you pay your taxes using your credit card, you may be charged convenience fees. These fees can be deducted as miscellaneous itemized deductions. But your deductions will only be granted if your total miscellaneous deductions exceed 2% of your AGI.

This is covered in lines 21 to 27 of Schedule A.