

Self-Employed Health Deduction.

The IRS allows self-employed to deduct health insurance premiums from gross income in calculating Adjusted Gross Income (AGI). This not only reduces taxable income, it also lowers the floor amount for certain itemized deductions, allowing more expense deductions.

There are limits on the premiums you can deduct. The simplest limit is the earned income (net profit) from your business calculated on Sched. C, line 31. For example, if net profit was \$10,000, you can't deduct \$10,500 in health premiums. The second limit is for those who obtained health insurance in the "Marketplace." These taxpayers must reduce the health premiums deduction by premiums not paid by the taxpayer but by the Marketplace or that were refunded on the tax return.

If the Marketplace made any Advanced Premium Tax Credit payments during periods of self-employment, you must complete Worksheet W (IRS Pub. 974). Limits on the reduction to the premiums are calculated using modified AGI, which requires completing Worksheet X, and a worksheet in IRS Pub. 974, and filing Form 8962, which yields the health premium tax credit. Confused? Many tax preparation programs do the calculations for you. Or, you can use a tax pro.

*Source: C. Novak and L. Corbisier,
"Self-Employed Taxpayers,"
TaxPro Monthly, March 2016,
Natl. Assn. of Tax Professionals,
W6390 Quality Drive,
Greenville, WI 54942-8015*