How is Income determined for purposes of setting a person’s Part B (Hospital Insurance) Premium?

If the person’s modified adjusted gross income is above certain thresholds, then additional Part B premiums are required. Modified adjusted gross income is adjusted gross income plus tax exempt interest income.

To determine the 2015 income-related monthly adjustment amounts, Medicare uses the most recent Federal tax return that the IRS provides. Generally, this information is from a tax return filed in 2014 for tax year 2013. Sometimes, the IRS only provides information from a return filed in 2013 for tax year 2012. If Medicare uses the 2012 tax year data and the taxpayer filed a return for tax year 2013 or did not need to file a tax return for tax year 2013, the taxpayer can contact Medicare and records will be updated.

If a person’s income has gone down due to any of the following situations and the change makes a difference in the income level Medicare considers, the taxpayer should contact Medicare to explain the new information and Medicare may need a new decision about your income-related monthly adjustment amount:

* The taxpayer married, divorced, or became widowed
* The taxpayer or spouse stopped working or reduced work hours
* The taxpayer or spouse lost income-producing property due to a disaster or other event beyond the taxpayer’s control
* The taxpayer or spouse experienced a scheduled cessation, termination, or reorganization of an employer’s pension plan
* The taxpayer or spouse received a settlement from an employer or former employer because of the employer’s closure, bankruptcy, or reorganization

If any of these apply, Medicare needs to see documentation verifying the event and the reduction in income. The documentation provided should relate to the event and may include a death certificate, a letter from an employer about retirement, or something similar. If a taxpayer filed a Federal income tax return for the year in question, a signed copy needs to be shown to Medicare.

How is Income determined for purposes of setting a person’s Part B (Hospital Insurance) Premium?

If the taxpayer disagrees with the decision regarding the income-related monthly adjustment amounts, there is a right to appeal. The taxpayer may request an appeal in writing by completing a *Request for Reconsideration* (Form SSA-561-U2) or by contacting the local Social Security office. Appeal forms can be found on the Social Security website (www.socialsecurity.gov/online). Forms can also be requested by calling 1-800-772-1213. Taxpayers do not need to file an appeal if they are requesting a new decision because one of the events listed took place which caused income to decrease or if it can be shown that information used was wrong.