

Thursday, November 19th, 2009

How to Pay for Individual Health Insurance Tax Free

Note: None of this should be taken as legal or tax advice.

Approximately [18 million Americans had individual health insurance policies in 2007](#). It is estimated that [24 million Americans have individual policies today](#). If Health Care reform passes, it is [expected that enrollment in individual health insurance plans would double](#) (or triple) in the next year. Doing some basic math, you can assume that 36 - 48 million Americans may own individual health insurance policies one year from now.

Oddly, most individual policy holders pay their premium with after-tax dollars. This means most Americans [pay 37-100% more](#) for their coverage than if they paid it tax-free. Since 2001, the federal government has made numerous changes to the tax code to put individual health insurance policies on a level playing field with traditional employer-sponsored plans.

If you have an individual plan or sell individual health insurance, you should familiarize yourself with the following ways to pay for individual health insurance tax-free:

If you are employed: Ask your employer to set up a [Section 125 Premium-only-Plan \(POP\)](#) for individual policies! A Section 125 POP allows you to pay for your individual health insurance tax-free through your paycheck. You do not need to change your insurance because this arrangement works with all individual health insurance policies. Also, it is extremely easy and beneficial for an employer to offer a POP plan. The employer saves 7.65% in taxes too! See www.zanebenefits.com/employee for a preview of Zane Benefits' new Section 125 solution, ZanePOP.

If you are self-employed: Deduct your health insurance premium! You can claim the individual health insurance deduction as an "above the line" tax deduction on Form 1040, Line 29. See the [IRS 1040 instructions](#) for guidance.

If you are unemployed: Contribute to a [Health Savings Account \(HSA\)](#)! You can use your HSA balance to pay for individual health insurance tax-free if you are receiving federal or state unemployment benefits.

Do you pay for your health insurance tax-free?