Medical Loss Ratio (MLR) Payment

This is not in Pub 4012 or Pub 4991. Reference is IRS.gov website at:
irs.gov/newsroom/medical-loss-ratio-mlr-faqs

Background:

- MLR rebate occurs when the health insurer does not spend enough of their revenue (premiums and subsidies) on claims
    - >80% on small policy claims and >85% on large group policy claims
- Rebates of the difference go to employers (group policies) and individuals
- Employers decide how to pass on rebates to employees
    - Refund check, part of wages, lower premiums (PY or CY)
- Individuals get a check with a letter of explanation

General Rule:

- Rebate is taxable if health insurance was paid with pre-tax dollars
- Rebate is taxable if health insurance tax benefit was taken on prior year return
    - Schedule A Medical or SE Health Insurance Deduction

Specific Situations:

	Rebate Taxable?
TP buys individual/family policy	
And takes standard deduction	No
And does not take any tax return benefits	No
And takes Schedule A Medical	Yes
And takes income adjustment	Yes
Taxable rebates entered in TSO as Other Income	
TP has employer insurance w/pre-tax $	
And employer offers reduced premiums	No
And employer includes rebate in salary	Yes (in W-2)
TP has employer provided insurance w/post tax $	
And employer offers reduced premiums	No
And employer includes rebate in salary	No

- What we do not know:
    - If the individual/family policy was partially paid with a federal subsidy, is the rebate non-taxable (no Sched A and no SE Health Care adjustment)?