LESSON · HEALTH CARE & ACA

IRMAA: The Medicare Surcharge Tied to Income From Two Years Ago

A high-income year doesn't raise your Medicare premiums today — it raises them two years from now, which is exactly why it catches so many people off guard.

Read time: 7 minutes **Level:** Intermediate **Includes:** Knowledge check

IRMAA — the Income-Related Monthly Adjustment Amount — is a surcharge added to Medicare Part B and Part D premiums for higher-income retirees. What surprises most people isn't that it exists; it's the timing. IRMAA for this year's premiums is based on the tax return from **two years ago**, which means a single unusually high-income year can quietly trigger a Medicare premium spike that doesn't show up until two years later — often after the income event itself is long forgotten.

How the two-year lookback actually works

Your 2026 Medicare premiums are based on your Modified Adjusted Gross Income (MAGI) as reported on your 2024 tax return. If 2024 was a normal income year, 2026 premiums are standard. But if 2024 included a large Roth conversion, a big capital gain, or the sale of a business or property, 2026 is when the surcharge shows up — as a bigger, separate line item, not built quietly into the premium.

Worked example

A married couple converts $80,000 to a Roth IRA in one year to take advantage of a low-bracket window before RMDs start. That conversion pushes their MAGI for that year well past an IRMAA threshold. Two years later, each spouse's Medicare Part B premium jumps by roughly $70–$100+ per month above the standard premium (the exact amount depends on which IRMAA bracket the MAGI lands in and the current year's Medicare premium tables) — for that one year only, since IRMAA is recalculated annually off a rolling two-year-old return. The conversion may still have been the right move overall, but it's a cost that should be weighed in, not discovered later as a surprise.

IRMAA is a cliff, not a slope, within each bracket

Unlike ordinary tax brackets, where only income above a threshold is taxed at the higher rate, IRMAA surcharges apply based on which bracket your *total* MAGI falls into — being $1 over a threshold can trigger the entire next surcharge tier, not just a marginal amount. That makes IRMAA thresholds worth watching closely in any year involving a large one-time income event: a Roth conversion, harvesting a large capital gain, or a big year of rental or business income.

The appeal most people don't know exists: Form SSA-44

A one-time income spike from a "life-changing event" may not be held against you

If the high income that triggered IRMAA came from a life-changing event — retirement or reduced work hours, marriage, divorce, death of a spouse, loss of income-producing property, or an employer settlement — Form SSA-44 lets you ask Social Security to use a more recent, lower-income year instead of the automatic two-year-old return. This is specifically designed for situations like retiring mid-year: the tax return that triggers IRMAA may reflect a final year of full salary that no longer represents current income at all.

Form SSA-44 does *not* apply to a Roth conversion or a deliberate capital gain — those are voluntary income decisions, not qualifying life-changing events — so the appeal route is narrower than many people assume. For a voluntary income spike, the more useful tool is simply timing: doing large conversions or gain-harvesting in years least likely to compound with other income, and modeling the IRMAA impact before pulling the trigger, not after the bill arrives.

Where IRMAA planning connects to other decisions

Because IRMAA runs off MAGI, it interacts directly with two other things covered elsewhere in Blueprint University: Roth conversion sizing (a bigger conversion means bigger potential IRMAA exposure two years out) and RMDs (since RMDs are a recurring, involuntary addition to MAGI once they start, unlike a conversion, which is optional). Anyone doing multi-year Roth conversion planning should be running the IRMAA math for each conversion year, not just the income tax math.

Before a year with unusually high income

- [ ] Check this year's MAGI against current IRMAA thresholds before finalizing a large Roth conversion or capital gain.
- [ ] Remember that any IRMAA triggered this year shows up in Medicare premiums two years from now, not immediately.
- [ ] If the high income came from retiring, a divorce, or another qualifying life event, look into Form SSA-44 rather than assuming the surcharge is unavoidable.
- [ ] If doing multi-year Roth conversions, model the IRMAA cost of each conversion year alongside the tax cost, not separately.

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KNOWLEDGE CHECK

Test what you just learned

Answer four quick questions to test what you just learned.

1. IRMAA for this year's Medicare premiums is based on income from which year?

> A. This year's income, estimated in advance
>
> B. The tax return from two years earlier
>
> C. The average of the last five years

2. What kind of event can Form SSA-44 help with?

> A. A deliberate Roth conversion done for tax planning
>
> B. A qualifying life-changing event, like retiring or a divorce, that lowered income after the return IRMAA is based on
>
> C. Any year where income happened to be higher than usual

3. Why is IRMAA described as more of a 'cliff' than ordinary tax brackets?

> A. It isn't — it works exactly like ordinary income tax brackets
>
> B. Crossing a MAGI threshold can trigger the full next surcharge tier, not just tax on the amount over the line
>
> C. IRMAA only applies to the wealthiest 1% of retirees

4. Why does IRMAA matter when planning Roth conversions?

> A. It doesn't — Roth conversions are exempt from MAGI calculations
>
> B. A large conversion raises MAGI, which can trigger an IRMAA surcharge two years later
>
> C. IRMAA only looks at Roth account balances, not conversions

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