AARP® Real Possibilities

601 E Street, NW | Washington, DC 20049
202-434-2277 | 1-888-OUR-AARP | 1-888-687-2277 | TTY: 1-877-434-7598
www.aarp.org | twitter: @aarp | facebook.com/aarp | youtube.com/aarp

April 13, 2016

The Honorable Kevin Brady
Chairman
Committee on Ways & Means
301 Cannon House Office Building
Washington, DC 20515

The Honorable Sandy Levin
Ranking Member
Committee on Ways & Means
1236 Longworth House Office Building
Washington, DC 20515

Dear Chairman Brady and Ranking Member Levin:

Thank you for holding this important hearing about the way in which the federal government utilizes the tax code to improve and provide health care access to many Americans. We appreciate the opportunity to offer written testimony on one aspect of how the tax code impacts health care affordability -- the medical expense deduction. In particular, a recent change for taxpayers under age 65 – and one that is scheduled to impact taxpayers age 65 and over in 2017 – has reduced affordability for those with high health care costs.

In 2013, the income threshold to be able to claim this deduction increased to 10 percent (from 7.5 percent) of income for those up to age 64. The threshold – which has remained at 7.5 percent of income for those 65 and older – is set to increase to 10 percent on January 1, 2017, representing a tax increase on millions of seniors.

AARP, with its nearly 38 million members in all 50 States and the District of Columbia, Puerto Rico, and U.S. Virgin Islands, is a nonpartisan, nonprofit, nationwide organization that helps people turn their goals and dreams into real possibilities, strengthens communities and fights for the issues that matter most to families such as healthcare, employment and income security, retirement planning, affordable utilities and protection from financial abuse.

Since the 1940s, Americans with high health care costs have been able to deduct medical expenses from their taxes. For the approximately eight to ten million Americans who annually take this deduction, it provides important tax relief which helps offset the costs of chronic medical conditions as well as long term care. Medical expenses can include amounts paid for prevention, diagnosis, treatment, equipment, qualified long-term care services, and limited amounts paid for any qualified long-term care insurance contract.

Last September, Rep. Martha McSally (R-AZ), Rep. Krysten Sinema (D-AZ) and others introduced the bipartisan *Halt Tax Increases on the Middle Class and Seniors Act*, H.R. 3590. This legislation, endorsed by AARP in January, would return the income threshold to deduct medical expenses back to the pre-2013 threshold of 7.5 percent of income. Importantly, it would prevent the looming tax increase scheduled for next year on those who are both ages 65 and older and have high health costs.

AARP believes this deduction – with a threshold based on a percentage of income – is truly middle class tax relief. According to 2013 estimated IRS tax data:

- 73 percent of those claiming the deduction reported income of $75,000 or less;
- 52 percent of those claiming it reported income of $50,000 or less;
- At least 25 percent of all returns claiming the deduction had at least one member of the household who was age 50-64; and
- 56 percent of all returns claiming the deduction had at least one member of the household age 65 or older.

In December 2015, Congress voted – and the President signed into law – delays of the medical device tax, the excise tax on high-cost employer sponsored health plans (known as the "Cadillac Tax") and a tax on health insurance. While these tax delays only indirectly affect consumers, the medical expense deduction is a direct tax benefit that helps millions of moderate income Americans each year.

On behalf of our 38 million members and all older taxpayers, we urge that the scheduled increase in the medical expense deduction be reversed, maintaining the current 7.5 percent of income threshold for those age 65 and older and restoring the previous lower threshold for all Americans.

Thank you for the opportunity to submit written testimony on this important tax issue to improve health care affordability. If you have further questions, please feel free to contact me or have your staff contact Andrew Schwab on our Government Affairs team at aschwab@aarp.org or 202-434-3770.

Sincerely,

Joyce A. Rogers

Joyce A. Rogers
Senior Vice President
Government Affairs