November 15, 2017

Dear Representative:

On behalf of our members and all Americans age 50 and older, AARP is writing to express our views on H.R. 1, the Tax Cuts and Jobs Act. AARP, with its nearly 38 million members in all 50 States and the District of Columbia, Puerto Rico and the Virgin Islands, represents individuals affected by H.R. 1 in myriad ways. As we did with the last major effort at tax reform a generation ago, AARP is prepared to support tax legislation that makes the tax code more equitable and efficient, promotes growth, and produces sufficient revenue to pay for critical national programs, including Medicare and Medicaid. However, H.R. 1 in its current form does not meet these criteria.

Efforts to restructure all or part of the federal tax system should in particular recognize the importance of -- and therefore maintain -- incentives for health and retirement security. Such incentives are not only important to assist individuals in attaining the security they deserve, but are vital to our nation’s future economic well-being. AARP is dedicated to enhancing retirement security, including retention of the extra standard deduction for those ages 65 or older; improving access to, and targeted incentives for, work-place retirement saving plans; and protection of earned pensions for vulnerable retirees and their families. We greatly appreciate that H.R. 1 rejects proposals to make significant changes to the tax treatment of retirement contributions, which would have affected the ability or commitment of many tax filers to save for their retirement. AARP also remains committed to advocating for affordable, meaningful health care, including retention of the medical expense itemized deduction at 7.5%, preservation of tax exempt status of employer sponsored insurance coverage; maintenance of tax subsidies for lower- and moderate-income Americans to purchase health insurance coverage in health care marketplaces; and the creation of a new, non-refundable tax credit for working family caregivers.

As tax legislation advances, changes to the tax code should not result in a disproportionate, adverse impact on older Americans. According to the Joint Committee on Taxation (JCT), H.R.1 will reduce taxes for millions of taxpayers beginning in 2019. We are concerned, however, that in 2027, also according to JCT, the 73 million taxpayers with incomes between $10,000 and $50,000 would collectively pay $2.9 billion more in individual income taxes. AARP has estimated that H.R. 1 will increase
taxes on 1.2 million taxpayers age 65 and older in 2018, and by 2027, 4.9 million older taxpayers will experience higher taxes. In addition, H.R. 1 will provide no tax relief for 5.1 million older taxpayers in 2018 and 5.3 million taxpayers by 2027.

The impact on older tax filers is the cumulative result of many policy changes made in H.R. 1, but a number of specific provisions disproportionately affect older Americans. Nearly three-quarters of tax filers who claim the medical expense deduction are age 50 or older and live with a chronic condition or illness. Seventy percent of filers who claim this deduction have income below $75,000. H.R. 1 also eliminates the additional standard deduction for filers who are 65 and older, while at the same time increasing the lowest tax rate. These provisions, along with other proposals that more broadly affect the tax liability of millions of filers, such as the expiration of the new Family Flexibility Credit in 2023, and the partial repeal of the state and local tax deduction, result in little tax benefit to many older tax filers, and for others, a tax increase.

Also troubling is the negative effect H.R. 1 will have on the nation’s ability to fund critical priorities. H.R. 1 will increase the deficit by $1.5 trillion over the next ten years, and an unknown amount beyond 2027. The large increase in the deficit will inevitably lead to calls for greater spending cuts, which are likely to include dramatic cuts to Medicare, Medicaid and other critical programs serving older Americans. The Congressional Budget Office has now published a letter stating that unless Congress takes action, H.R. 1 will result in automatic federal funding cuts of $136 billion in fiscal year 2018, $25 billion of which must come from Medicare.

We urge Congress to work in a bipartisan manner to enact tax legislation that better meets the needs of older Americans and the nation, and we stand ready to work with you toward that end. If you have any questions or need additional information, please feel free to contact me or contact Joyce Rogers, Senior Vice President of Government Affairs at 202-434-3750 or at jarogers@aarp.org.

Sincerely,

Nancy A. LeaMond
Executive Vice President and
Chief Advocacy and Engagement Officer