AARP Real Possibilities

November 30, 2017

Dear Senator:

On behalf of our members and all Americans age 50 and older, AARP is writing to express our views on the Senate's 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 this tax bill 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, the Senate Tax Cuts and Jobs Act, in its current form, does not meet these criteria.

Most troubling is the negative effect the Tax Cuts and Jobs Act will have on the nation's ability to fund critical priorities. The Tax Cuts and Jobs Act will increase the deficit by approximately $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 important programs serving older Americans. Indeed, the non-partisan Congressional Budget Office (CBO) has confirmed that unless Congress takes action, the reconciliation legislation will result in automatic federal funding cuts of $136 billion in fiscal year 2018, $25 billion of which must come from Medicare. Such sweeping cuts would be detrimental to an already vulnerable population.

Efforts to restructure all or part of the federal tax system should 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. The expiration of several of the income tax provisions in 2025, introduction of chained Consumer Price Index to the tax code and, for many filers, the repeal of the state and local tax deduction, would result in little if any tax benefit for many older tax filers, and for others, a tax increase. In fact, the Senate Tax and Jobs Act may not deliver tax cuts that older Americans anticipate, and will likely increase taxes for many. According to the Joint Committee on Taxation (JCT), the Senate Tax Cuts and Jobs Act will reduce taxes for millions of taxpayers beginning in 2019. However, the JCT also estimates that beginning in 2021, tax filers with incomes of $10,000 to $30,000 will be worse off, paying $5.9 billion more in taxes. By 2027, taxes will go up for filers with income below $75,000 by $27.4 billion. AARP has estimated that the Senate Tax Cuts and Jobs Act will increase taxes on 1.2 million taxpayers age 65 and older in 2019, and by 2027, 5.2 million older taxpayers will experience higher taxes. In addition, this bill will provide no tax relief for 5.1 million older taxpayers in 2019 and 5.6 million taxpayers by 2027.

AARP is dedicated to enhancing retirement security, including retention of the additional standard deduction for those aged 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 appreciate that the Senate Tax Cuts and Jobs Act rejects the House provision which eliminates the additional standard deduction for those 65 and older, as well as 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 retention of the medical expense itemized deduction and its return to the 7.5 percent income threshold, as well as the creation of a new, non-refundable tax credit for working family caregivers.

Although the Senate legislation retains the medical expense deduction -- unlike the House bill, which repeals this important deduction entirely -- the Senate bill does not address the 2017 tax hike on seniors. The income threshold for the deduction for those aged 65+ increased from 7.5 percent to 10 percent in 2017. AARP urges that the medical expense deduction be retained at the 7.5 percent income threshold for older tax filers. Nearly three-quarters of tax filers who claimed the medical expense deduction are age 50 or older and live with a chronic condition or illness, and seventy percent of filers who claimed this deduction have income below $75,000. Maintenance of this important deduction is critical financial protection for seniors with high heath care costs.

AARP opposes repeal of the individual mandate that will increase costs and cause millions of Americans to lose health insurance coverage. The CBO estimates that elimination of the requirement that individuals have health care will result in 13 million fewer Americans with health coverage over the next ten years. CBO also estimates that it will cause premiums in the health insurance marketplace to increase by approximately ten percent. As a result, premiums for 64-year-olds could increase by an average of $1,490. In addition to dropping this health care provision, AARP also continues to urge Congress to pass the bipartisan Alexander/Murray bill that will take immediate steps to stabilize the health insurance market.

For the reasons given, AARP cannot support the Senate Tax Cuts and Jobs Act, in its current form. 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,

Jo Ann C. Jenkins
Chief Executive Officer