

GOP Tax Plan Could Be Costly for Elderly, Disabled

House Republicans voted earlier this year to broaden the use of a tax deduction that helps people with high health costs. Now they're moving to eliminate it altogether.



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House Republicans may be attempting to keep Obamacare politics out of their tax-reform fight, but their plans do not leave health care—particularly for elderly and chronically sick citizens—untouched.

The bill that has been the subject of a contentious markup this week eliminates several specific deductions so that individuals and families can “file their taxes on a form as simple as a postcard.”

But experts and advocates warn that the elimination of a deduction for those with medical expenses exceeding 10 percent of their adjusted gross income would hit the elderly and people living with disabilities

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particularly hard.

Most Americans don't use this deduction, but for the 8.8 million who do, the write-off is significant. "It's not hard to see how this change can be really scary for tax filers who face exorbitant medical expenses," said Tricia Neuman, senior vice president at the Kaiser Family Foundation.

The House Ways and Means Committee defended the decision. "This bill helps Americans keep more of the money they earn for expenses that arise throughout their lives—such as medical bills—rather than providing a myriad of provisions that many Americans may only use once in their lifetimes, and only if they go through the hassle and frustration of itemizing," a committee GOP spokesperson said.

But the medical-expense deduction may not be a once-in-a-lifetime tool for many users. Experts noted that the deduction can be used to help with expenses associated with long-term care needs in a facility or at home. "Those services are not generally covered by insurance," said Paul Van de Water, senior fellow at the Center on Budget and Policy Priorities.

Eric Buehlmann, deputy executive director for public policy at the National Disability Rights Network, said that many people live with a disability for most of their lives, sometimes "from cradle to grave." He said other changes in the tax-reform bill are not going to fill in the gap for people relying on the deduction.

"The increase in the standard deduction is nowhere near the cost of medical expenses they put out in the course of a year," Buehlmann said.

The effort to scrap the deduction has drawn the ire of AARP, the powerhouse lobbying organization for seniors, which argues that many of the 8.8 million taxpayers who took the deduction in 2015 are dealing with chronic conditions and serious illnesses like diabetes or Alzheimer's disease.

"This is a deduction that is very much a lifeline for middle-income Americans who are sick," said Cristina Martin Firvida, director of financial security at AARP.

She also noted that the move to scrap this tax benefit is a reversal from what Republicans attempted to do earlier this year. The version of the Obamacare-repeal bill that passed out of the House not only kept the tax deduction, but would have allowed more people to use it by lowering the amount a person's medical expenses would have to exceed, from 10 percent to 5.8 percent of their income.

The number of people relying on the tax break is not likely to dip. “The baby boomers as a generation [are] going to be retiring,” said Caroline Bruckner, managing director of American University’s Kogod Tax Policy Center. “You can’t outrun our demographics. More and more people are going to be relying on it.”

But older Americans are not the only group that will feel the financial pressure should Republicans follow through with their plan.

People with disabilities and their families, who may have high medical costs, often rely on the deduction to help meet a variety of disability-related needs—whether they are not covered by public or private insurance, are inadequately covered, or don’t qualify for any assistance. “For example, the medical-expense deduction can assist with modifications to a home to provide access to a person using a wheelchair for the first time,” said Lisa Ekman, vice chair of the Consortium for Citizens with Disabilities. “Often there are not programs that will pay for home modification, but the deduction can be used for that [expense].”

The elimination of the medical-expense deduction is not the only problem the Consortium for Citizens with Disabilities has with the tax-reform package. Ekman noted that the bill eliminates the disabled-access tax credit for corporations, which small businesses can claim for providing access to disabled individuals, and the work-opportunity tax credit, which employers can claim if they hire people from certain targeted groups including unemployed veterans.

The Consortium is also concerned that federal health care programs may be on the chopping block in the future to make up for the legislation’s \$1.5 trillion price tag.

“Even if the reconciliation bill does not include direct cuts to these programs, it will gut federal revenue, creating enormous pressure to cut Medicaid, Medicare, Social Security and all of the discretionary programs providing support to people with disabilities in the future or now, to stay within the \$1.5 trillion limit on the increase in the deficit allowed by the reconciliation instructions contained in the FY 2018 budget resolution,” the group said in a statement.

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