

## **Federal Tax Change Update: Proposed Elimination of Medical Expense Deduction**

*Ending the Medical Expense Deduction Would Harm Many Individuals Paying the High Cost of Long-term Services and Support*

*On Thursday, October 3<sup>rd</sup>, House Republicans released a tax bill that proposes to end the Medicaid Expense Deduction.*

### **WHAT WOULD HAPPEN?**

#### ***How Does the Medical Expense Deduction Help Individuals with Long-term Services and Support (LTSS)?***

Currently, the federal tax code allows deduction of “qualified long-term care expenses” for people who are “chronically ill,” those unable to perform two or more “Activities of Daily Living” without assistance, or who have a “severe cognitive impairment” such as Alzheimer’s disease. These expenses are usually catastrophic, requiring many Americans to spend large portions of their income and to liquidate resources.

#### ***The Medical Expense Deduction For Individuals with LTSS***

This applies only to those expenses above 10% of Adjusted Gross Income and when a taxpayer itemizes their deduction. “Chronically ill individuals” can use this provision. ***If Congress ends the Medical Expense Deduction***, many Americans paying for Long-Term Services and Supports (LTSS) will face the double cost of both chronic long term care and federal income tax.

#### ***Impact of Ending the Medical Expense Deduction may include:***

- **Eviction From a Care Facility:** Without the deduction, individuals paying privately for LTSS may not have the funds to pay their tax liability and the nursing facility, leading to eviction from the facility.
- **Uncollectible Tax From Some Medicaid LTSS Populations:** Individuals on Medicaid must contribute a substantial portion of their income to Medicaid as part of the “spend down program”. They will not have any funds to pay this new tax liability.
- **Hurts Family Caregivers:** Children can also use this deduction if they pay for more than half of a parent’s care. Eliminating this deduction will negatively impact a child paying for a chronically ill parents needs.
- **Increased Reliance of Government Programs:** Many middle- and working-class individuals “spend-down” their resources to qualify for Medicaid. Without a tax subsidy, the eligibility process will be faster and will place a larger burden on an already stressed federal/state Medicaid system.

### **WHAT CAN YOU DO?**

1. Grimaldi and Yeung will be sending a packet to the congressional leaders drafting this legislation and we would like to include your comments and concerns. Write to us and tell us how this tax proposal will impact your family’s/client’s long term care plans; how it will affect your family’s financial well being, and any other concerns that you may have.
2. Write directly to your congressional representatives. For information on who your representative is, please click [here](#).

If you want to continue to receive information like this about aging services and advocacy, please let us know by clicking [here](#) to be added to our mailing list.