

# VERMONT PURE FINANCIAL, INC.

November 8, 2018

Members of the Vermont House Ways and Means Committee:

I'm writing as a tax preparer and financial advisor regarding the changes in the Vermont Tax Law that was passed in the spring of 2018 to be effective for the 2018 tax year. Specifically, I am concerned by the impact of the changes on Vermonters with substantial medical expenses, particularly in end of life care.

While I understand the advantages to moving to an adjusted gross income approach, I would ask that you consider a modification for Medical Expenses as was done with Charitable Contributions.

I have a number of clients with significant medical expenses. At the suggestion of the Commissioner of Taxes, I have filed Requests for Extraordinary Relief with the Taxpayer Advocate's Office at the Vermont Department of Taxes in hopes that the department will grant such relief. In my capacity as a presenter at the UVM Extension Services Tax School I have encouraged the over 500 attendees, nearly all whom responded as having clients that would be impacted by the change, make similar requests on behalf of their clients.

I understand that the decision to eliminate Itemized Deductions was made in the context that only 9% of Vermonters itemize their deductions for federal purposes so there is a small portion that will be impacted by the change. However, this reasoning doesn't apply when it comes to Medical Expenses.

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Given the high probability that we incur large medical expenses at some time in our lives, and particularly toward the end of our lives, nearly all of us will itemize specifically because of medical expenses. Often times, in order to cover these costs, taxpayers have to liquidate savings and/or take distributions from retirement funds, creating significant taxable income which under the new law will not be offset by a deduction. Given that the income won't be offset by a tax deduction, they must generate more income to pay the taxes.

Of course, in addition to end of life care, there are those taxpayers who face significant ongoing medical expenses who will be placed in a more vulnerable situation given the changes in Vermont Law.

Some accommodation must be made for those of our community that are most vulnerable.

I will continue to file hardship requests for my clients and encourage colleagues to similarly advocate for their clients.

However, for all the reasons outlined above, I would hope the legislature would consider making accommodations in the tax law for medical expenses

Respectfully,

Jason N. Cadwell, CPA/PFS, CFP®