

**Presentation to Vermont House Ways and Means Committee  
Tax Analysis  
Medical Expense Deduction**

| <b>Income Fact Pattern</b>        | <b>Amounts</b> |
|-----------------------------------|----------------|
| Income:                           |                |
| Interest                          | 500            |
| Gross Social security benefits    | 20,000         |
| Less: Non-taxable social security | (3,000)        |
| Retirement income                 | 77,000         |
| <b>Adjusted gross income</b>      | <b>94,500</b>  |

| <b>Medical expenses for each scenario:</b> | <b>Amounts</b> |
|--|----------------|
| Scenario #1                                | 23,000         |
| Scenario #2                                | 53,000         |
| Scenario #3                                | 93,000         |

**Explanation of Columns for Each Scenario:**

Column #1: Identical income under 2017 law

Column #2: Tax under current law

Column #3: Tax if H.199 had been enacted

Column #4: Tax if medical deduction had been restored  
but no standard deduction had been allowed

**Conclusions:**

Increase in tax from 2017 is higher as medical expenses rise

Creation of Vermont personal exemption and standard deduction did not mitigate the loss of the medical expense deduction.

**Presentation to Vermont House Ways and Means Committee**  
**Vermont Tax Calculation Analysis**  
**Scenario #1**  
**Medical Expense Deduction = \$23,000**

|                               | <u>2017</u>           | <u>Current<br/>law<br/>2018</u> | <u>Under<br/>H199</u> | <u>Medical<br/>Restored,<br/>no Std<br/>Deduction</u> |
|-------------------------------|-----------------------|---------------------------------|-----------------------|---|
| Federal Adjusted Gross income | 94,500                | 94,500                          | 94,500                | 94,500  |
| <b>Itemized deductions:</b>   |                       |                                 |                       |   |
| Medical deduction             | (15,912)              | -                               | (15,912)              | (15,912)  |
| Tax deduction                 | (562)                 | -                               | -                     | -   |
| Standard deduction            | -                     | (7,000)                         | (7,000)               | -   |
| Personal exemption            | <u>(4,050)</u>        | <u>(4,150)</u>                  | <u>(4,150)</u>        | <u>(4,150)</u>  |
| Vermont state taxable income  | <u>73,976</u>         | <u>83,350</u>                   | <u>67,438</u>         | <u>74,438</u>   |
| Vermont income tax            | <b>3,797</b>          | <b>4,243</b>                    | <b>3,193</b>          | <b>3,655</b>  |
|                               | <b>Increase = 446</b> |                                 |                       |   |

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**Vermont Tax Calculation Analysis**  
**Scenario #2**  
**Medical Expense Deduction = \$53,000**

|                               | <u>2017</u>               | <u>Current<br/>law<br/>2018</u> | <u>Under<br/>H199</u> | <u>Medical<br/>Restored,<br/>no Std<br/>Deduction</u> |
|-------------------------------|---------------------------|---------------------------------|-----------------------|---|
| Federal Adjusted Gross income | 94,500                    | 94,500                          | 94,500                | 94,500  |
| <b>Itemized deductions:</b>   |                           |                                 |                       |   |
| Medical deduction             | (45,912)                  | -                               | (45,912)              | (45,912)  |
| Tax deduction                 | (562)                     | -                               | -                     | -   |
| Standard deduction            | -                         | (7,000)                         | (7,000)               | -   |
| Personal exemption            | <u>(4,050)</u>            | <u>(4,150)</u>                  | <u>(4,150)</u>        | <u>(4,150)</u>  |
| Vermont state taxable income  | <u>43,976</u>             | <u>83,350</u>                   | <u>37,438</u>         | <u>44,438</u>   |
| Vermont income tax            | <b>1,757</b>              | <b>4,243</b>                    | <b>1,254</b>          | <b>1,675</b>  |
|                               | <b>Increase = \$2,486</b> |                                 |                       |   |

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**Vermont Tax Calculation Analysis**  
**Scenario #3**  
**Medical Expense Deduction = \$93,000**

|                               | <u>2017</u>    | <u>Current<br/>law<br/>2018</u> | <u>Under<br/>H199</u> | <u>Medical<br/>Restored,<br/>no Std<br/>Deduction</u> |
|-------------------------------|----------------|---------------------------------|-----------------------|---|
| Federal Adjusted Gross income | 94,500         | 94,500                          | 94,500                | 94,500  |
| <b>Itemized deductions:</b>   |                |                                 |                       |   |
| Medical deduction             | (85,912)       | -                               | (85,912)              | (85,912)  |
| State sales tax deduction     | (562)          | -                               | -                     | -   |
| Standard deduction            | -              | (7,000)                         | (7,000)               | -   |
| Personal exemption            | <u>(4,050)</u> | <u>(4,150)</u>                  | <u>(4,150)</u>        | <u>(4,150)</u>  |
| Vermont state taxable income  | <u>3,976</u>   | <u>83,350</u>                   | <u>(2,562)</u>        | <u>4,438</u>  |
| Vermont income tax            | <b>141</b>     | <b>4,243</b>                    | -                     | <b>149</b>  |

**Increase = \$4,102**