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**Sent:** Thursday, April 11, 2019 9:29 AM

**To:** Ann Cummings <ACUMMINGS@leg.state.vt.us>

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**Subject:** Follow Up on the Medical Deduction

Senator:

In the discussion on Tuesday, I suggested that as the legislature addressed the fiscal cost of the Medical Deduction, that it might consider adjusting the floor above which the deduction was allowed.

The only floor allowed under S 126 is the floor established on the Federal Return which is 10% of Adjusted Gross Income (AGI). As an example, if someone had \$20,000 of medical expenses and their AGI was \$120,000, then the Floor would be \$12,000 and they'd have a Federal Deduction of \$8,000.

I understand that the Joint Fiscal office ran the numbers on the cost to the state revenue of S 126 would be, I believe, \$4.4mm. Less than the \$5mm original noted, but more than the figure I had understood from the Tax Commissioners presentation last Friday. I now understand that the Tax Commissioners numbers aggregated other numbers which I'm not sure are relevant at this point.

What I would suggest is that the committee ask the Joint Fiscal office to run numbers that would reflect an additional floor (in addition to the 10% AGI floor) to reflect:

- Option 1 – The 10% AGI floor plus the taxpayer's standard deduction (so assuming the above taxpayer was a couple over 65, their VT standard deduction would be \$12,000 plus \$1,000 each for being over 65 for a total of \$14,000, so their floor for getting a medical deduction in VT would be \$12,000 (10% of AGI) plus \$14,000 or \$26,000. So they'd have to have more than \$26,000 of medical expenses before they received a benefit for the deduction.
- Option 2 – Increase the floor to Option 1 plus the exemptions of \$4,150 per person. Using the above numbers for my hypothetical couple this would increase the floor by \$8,300 to \$34,300.

I believe the Joint Fiscal office has the model to run the numbers. I suspect that the folks that I'm dealing with could live with such adjustments.

Again, thanks for your consideration.

Jason

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