

Here is an example of the effect of the 2018 law's removal of medical deductions for one elderly couple. Let's walk through their 2018 federal and state income tax returns. In this case, a retired executive and his wife had gone a number of years without having to pay income taxes because of expenses associated with the man's worsening case of Alzheimer's disease. In 2018, his problems were compounded when he could not leave the hospital after his 30-day stay there because there was no room at any nursing home in the area. Consequently, without Medicare coverage for his extended hospital stay, the man incurred hospital costs at the rate of \$24,000 per month until he died. Bills totaling \$76,664 arrived in 2018, but they excluded November's and December's bills, which didn't arrive until earlier this year. To cover those bills, the patient and his wife sold off life savings and incurred more than \$65,000 in capital gains to pay the bills. There was some mitigation, however, by way of just shy of \$19,000 applied from a loss carryforward relating to Tropical Storm Irene's damage to their home. As a result, there was no *federal* income tax due for 2018. However, tax payable to Vermont came in at \$2,145 – at a time when the man's widow was left to live alone and with vastly depleted life savings and with two months of 2018 hospital bills still to pay.

For a good understanding of a society's values, look at its tax code. Allowing deductions for medical costs and charitable giving reveals a society's fundamental humaneness. Permitting deductions for other activities, like home mortgage loan interest, indicate support for home ownership and the security it offers. They demonstrate fundamental and longstanding social values.

Taking away the deduction for medical care adds to the new *federal* tax code's takeaways, such as the interest deduction on home equity loans and the limit of \$10,000 for state income tax and property tax payments, not to mention removal of the charitable giving incentive by way of the \$12,000-per-person standard deduction.

Taking away the medical deduction hastens a sick, elderly person's descent into poverty and entry into the Medicaid poverty program, which is already under a great deal of financial stress itself. You may already be aware that approximately half of personal bankruptcies in the United States are attributable to medical costs that patients and their households cannot cover. Vermont's removal of the medical deduction exacerbates the financial difficulty.

I have to believe that taking away the medical deduction was a mistake – an oversight. For the sake of fairness to our elders and a sense humaneness, I ask that the Legislature forego fiscal expediency and correct this error by way of Senate Bill 126.

COPY

Filing status: Single Married filing jointly Married filing separately Head of household Qualifying widow(er)

Your first name and initial _____ Last name _____ Your social security number _____

Sign Here
Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature: _____ Date: _____ Your occupation: **HOMEMAKER**
Spouse's signature: _____ Date: _____ Spouse's occupation: **RETIRED**
Filing as surviving spouse

If the IRS sent you an Identity Protection PIN, enter it here (see inst.) _____
If the IRS sent you an Identity Protection PIN, enter it here (see inst.) _____

Paid Preparer Use Only

Preparer's name: **Jane B. Waysville** Preparer's signature: **Jane B. Waysville** PTIN: **P01067796** Firm's EIN: **03-0362172** Check if: 3rd Party Designee Self-employed

Firm's name: **Trust Company of Vermont** Phone no.: **(802) 254-9400**

Firm's address: **86 Linden Street Brattleboro VT 05301**

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Form **1040** (2018)

1 Wages, salaries, tips, etc. Attach Form(s) W-2		1	
2a Tax-exempt interest	2a	b Taxable interest	2b 1,143.
3a Qualified dividends	3a 1,843.	b Ordinary dividends	3b 3,713.
4a IRAs, pensions, and annuities	4a	b Taxable amount	4b 13,287.
5a Social security benefits	5a 33,264.	b Taxable amount	5b 28,274.
6 Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22	6 46,292.	6	92,709.
7 Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6	7	7	92,709.
8 Standard deduction or itemized deductions (from Schedule A)	8	8	73,598.
9 Qualified business income deduction (see instructions)	9	9	
10 Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0-	10	10	19,111.
11 a Tax (see inst.) <u>0.</u> (check if any from: 1 <input type="checkbox"/> Form(s) 8814 2 <input type="checkbox"/> Form 4972 3 <input type="checkbox"/>)	11	b Add any amount from Schedule 2 and check here <input type="checkbox"/>	0.
12 a Child tax credit/credit for other dependents _____ b Add any amount from Schedule 3 and check here <input type="checkbox"/>	12	12	
13 Subtract line 12 from line 11. If zero or less, enter -0-	13	13	0.
14 Other taxes. Attach Schedule 4	14	14	0.
15 Total tax. Add lines 13 and 14	15	15	0.
16 Federal income tax withheld from Forms W-2 and 1099	16	16	
17 Refundable credits: a EIC (see inst.) _____ b Sch. 8812 _____ c Form 8863 _____	17	17	
18 Add lines 16 and 17. These are your total payments	18	18	
19 If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you overpaid	19	19	
20a Amount of line 19 you want refunded to you. If Form 8888 is attached, check here <input type="checkbox"/>	20a	20a	
b Routing number <u>X X X X X X X X X X</u> c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	21	21	
d Account number <u>X X X X X X X X X X X X X X X X</u>	22	22	
21 Amount of line 19 you want applied to your 2019 estimated tax	21	21	
22 Amount you owe. Subtract line 18 from line 15. For details on how to pay, see instructions	22	22	0.
23 Estimated tax penalty (see instructions)	23	23	

**SCHEDULE A
(Form 1040)**

Itemized Deductions

OMB No. 1545-0074

▶ Go to www.irs.gov/ScheduleA for instructions and the latest information.

▶ Attach to Form 1040.

2018

Attachment
Sequence No. 07

Department of the Treasury
Internal Revenue Service (99)

Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.

Name(s) shown on Form 1040

Your social security number

Medical and Dental Expenses	Caution: Do not include expenses reimbursed or paid by others.			
	1	Medical and dental expenses (see instructions)	1	76,664.
	2	Enter amount from Form 1040, line 7	2	92,709.
	3	Multiply line 2 by 7.5% (0.075)	3	6,953.
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	4	69,711.
Taxes You Paid	5	State and local taxes.		
		a State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box <input checked="" type="checkbox"/>	5a	594.
		b State and local real estate taxes (see instructions)	5b	2,958.
		c State and local personal property taxes	5c	
		d Add lines 5a through 5c	5d	3,552.
		e Enter the smaller of line 5d or \$10,000 (\$5,000 if married filing separately)	5e	3,552.
		6 Other taxes. List type and amount ▶	6	
	7	Add lines 5e and 6	7	3,552.
Interest You Paid	8	Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box <input type="checkbox"/>		
		a Home mortgage interest and points reported to you on Form 1098	8a	
		b Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ▶	8b	
		c Points not reported to you on Form 1098. See instructions for special rules	8c	
		d Reserved	8d	
		e Add lines 8a through 8c	8e	
	9	Investment interest. Attach Form 4952 if required. See instructions	9	
	10	Add lines 8e and 9	10	
Gifts to Charity	11	Gifts by cash or check. If you made any gift of \$250 or more, see instructions	11	335.
	12	Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500	12	
	13	Carryover from prior year	13	
	14	Add lines 11 through 13	14	335.
Casualty and Theft Losses	15	Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions	15	
Other Itemized Deductions	16	Other—from list in instructions. List type and amount ▶	16	
Total Itemized Deductions	17	Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040, line 8	17	73,598.
	18	If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/>		

SCHEDULE 1
(Form 1040)

Additional Income and Adjustments to Income

OMB No. 1545-0074

2018
Attachment
Sequence No. 01

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 1040.

▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

Name(s) shown on Form 1040

Your social security number

Additional Income		Your social security number	
1-9b	Reserved	1-9b	
10	Taxable refunds, credits, or offsets of state and local income taxes	10	
11	Alimony received	11	
12	Business income or (loss). Attach Schedule C or C-EZ	12	
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13	65,191.
14	Other gains or (losses). Attach Form 4797	14	
15a	Reserved	15b	
16a	Reserved	16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	
18	Farm income or (loss). Attach Schedule F	18	
19	Unemployment compensation	19	
20a	Reserved	20b	
21	Other income. List type and amount <input checked="" type="checkbox"/> Net Operating Loss - SEE STMT -18,899.	21	-18,899.
22	Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23	22	46,292.
Adjustments to Income			
23	Educator expenses	23	
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	24	
25	Health savings account deduction. Attach Form 8889	25	
26	Moving expenses for members of the Armed Forces. Attach Form 3903	26	
27	Deductible part of self-employment tax. Attach Schedule SE	27	
28	Self-employed SEP, SIMPLE, and qualified plans	28	
29	Self-employed health insurance deduction	29	
30	Penalty on early withdrawal of savings	30	
31a	Alimony paid <input type="checkbox"/> Recipient's SSN ▶	31a	
32	IRA deduction	32	
33	Student loan interest deduction	33	
34	Reserved	34	
35	Reserved	35	
36	Add lines 23 through 35	36	

From Hurricane Irene damage to home

Carried forward for years, used up gradually

For Paperwork Reduction Act Notice, see your tax return instructions.

Schedule 1 (Form 1040) 2018

REV 12/21/18 PRO

Vermont Income Tax Return

2018 FORM IN-111

DEPT
USE
ONLY



THE VERMONT DEPARTMENT OF REVENUE HAS ELECTRONICALLY TRANSMITTED THIS FORM TO THE STATE OF VERMONT. IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT THE VERMONT DEPARTMENT OF REVENUE AT 802-241-2000.

Please PRINT in BLUE or BLACK INK

2018 Vermont Standard Deduction
 Married Filing Jointly or Qualifying Widow(er) **\$12,000**
 Single or Married Filing Separately **\$6,000**
 Head of Household **\$9,000**

Vermont Personal Exemption
 2018 Amount **\$4,150**

1. Federal Adjusted Gross Income (Federal Form 1040, Line 7)	indicate loss →	1	92709 .00
2. Net Modifications to federal AGI (Schedule IN-112, Part I, Line 12)	Check to indicate loss →	2	-5813 .00
3. Federal AGI with Modifications (Add Lines 1 and 2)	Check to indicate loss →	3	86896 .00
4. 2018 Vermont Standard Deduction from box at left		4	14000 .00
Please see instructions if you or your spouse checked any standard deduction boxes on page 1 of federal 1040			
5. Personal Exemptions:			
5a. Enter 1 for yourself if no one can claim you as a dependent.		5a 1	Amount Due
5b. Enter 1 for your jointly filed spouse or CU partner if no one can claim them as a dependent or if you are a qualifying widow(er)		5b 1	(From Page 2, Line 31)
5c. Enter number of dependents claimed on federal Form 1040		5c 0	2185 .00
5d. Add Lines 5a through 5c		5d 2	
5e. Multiply Line 5d by 2018 Personal Exemption from box at left		5e	8300 .00
6. Add Lines 4 and 5e		6	22300 .00
7. Vermont Taxable Income (Subtract Line 6 from Line 3. If less than zero, enter -0-)		7	64596 .00
8. Vermont Income Tax from tax table or tax rate schedule		8	2162 .00
(If Line 1 is greater than \$150,000, see instructions)			
9. Net Adjustment to Vermont Tax (Schedule IN-119, Part I, Line 16)	Check to indicate loss →	9	0 .00
10. Vermont Income Tax with Adjustment (Add Lines 8 and 9. If less than zero, enter -0-)		10	2162 .00
11. 335 .00 x 5% = 12. 17 .00		13.	17 .00
Tax-Deductible Charitable Contribution (See instructions)			Charitable Contribution Deduction (Enter the lesser of Line 12 or \$1,000)
14. Vermont Income Tax (Line 10 minus Line 13. If less than zero, enter -0-)		14	2145 .00
15. Income Adjustment (Schedule IN-113, Line 37, or 100.0000%)		15	100.0000
16. Adjusted Vermont Income Tax (Multiply Line 14 by Line 15)		16	2145 .00

Vermont Department of Taxes
ATTN: Mr. Jeffrey Doolcy - Taxpayer Advocate
PO Box 429
Montpelier, Vermont 05633-1401

RE: Request for Extraordinary Relief Due to Medical Expenses

Dear Mr. Dooley

I am writing to make a Request for Extraordinary Relief on behalf of the below taxpayer(s) due to the change in Vermont Tax Law for 2018 and subsequent years which no longer provides a tax deduction for Medical Expenses.

The taxpayer(s) I'm writing about is (are):

Name

Social

Address

The taxpayers incurred significant medical expenses for reasons. ...Additional info...(i.e. in order to pay those expenses that taxpayers had to withdraw funds from their IRA generating taxable income against which Vermont is not going to allow a deduction against). Those deductible expenses are (anticipated to be/were) \$ for the 2018 tax year. Subjecting those expenses to the AGI Limit of 7.5%, the deductible medical expenses would be \$ of which \$ exceed the Vermont Standard Deduction of \$ (6k-Ind, 9k HoH, 12k MFJ).

Under the prior Vermont law and applying the new tax rates, the deduction of the medical expenses would reduce the Taxpayer's Vermont Income Tax liability by \$.

On behalf of the taxpayer, I respectfully request that the Department provide relief from taxes in the amount of \$.

I have attached a computation reflecting the projected 2018 taxes.

Thank you for your consideration of this matter.

Sincerely,