

My name is Judy Hettena Wright. I am a self-employed certified public accountant.

I am here to testify about the impact of the loss of medical deductions on my clients.

I also am here to tell you about the impact on my own personal situation.

I have a rare genetic disorder called Ehlers Danlos, or EDS. Ehlers Danlos is a connective tissue disorder that is caused by defects in a protein called collagen. It causes my joints to be hypermobile and in chronic pain. My rotator cuffs spontaneously tear. My hips and wrists partially dislocate on a regular basis. EDS also compromises organs in my body and causes me to have chronic fatigue, neuropathy, migraines and difficulty in regulating my body temperature. As you may notice today, it also gives me chronic problems with my voice. This is daily life for those with Ehlers Danlos.

As a result of my condition, I spend and deduct at least \$50,000 per year of unreimbursed medical expenses on my tax returns. My expenses include my health insurance premiums, a high deductible, medical travel to out of state specialists, physical and speech therapy in excess of the allowed annual by our insurance plan, and the following items that are no longer allowed by our insurance plan: out of network physicians in Vermont, out of state specialists, compounded medications and various procedures they no longer consider necessary. As a result of the EDS, I also have airway and bite problems that require regular dental and orthodontic care and surgeries that are not covered by dental insurance.

I am fortunate to not be on disability. I fight hard to work full time during tax season and work a reduced schedule the rest of the year. I keep my business running with the assistance of a fantastic employee and the support of my medical team. I have a warm relationship with my clients and my work is meaningful to me.

As soon as the tax law changed passed, I calculated the projected Vermont tax effect on my 2018 taxes. Under the new law I will pay approximately \$3,000 in additional taxes. Unless the law is changed, this will be a permanent increase for me. I am now in a position of reducing my non-

covered medical care visits and medications that help my body function and provide pain relief.

Turning to my practice, a good portion of my clients are aged 70 and above. As a result, they have significant medical needs. I have clients who have medical expenses not covered by Medicare, for conditions such as dementia, Alzheimer's, and Parkinson's. They live in various assisted living or memory care facilities. The loss of the medical expense deduction for these clients is financially significant. Once a client enters assisted living, you can anticipate that their annual medical expenses will start at \$85k per year.

For example, a dear client's daughter was just told by his facility that he is exhibiting some aggressive behavior during the morning and evening before his medication kicks in. They want her to hire a trained caregiver for those times, but caregiving agencies have a minimum number of hours they will charge per shift. She founds this out just as I gave her the news that there would be an additional \$4,000 liability for her father's Vermont taxes this year and every year unless the law is changed. She is desperately trying to keep him in the facility for as long as possible before she will need to help him apply for Medicaid as his last move was so traumatic. Now she has to use up his funds for both the caregivers and the additional taxes. She literally cried in my arms.

I have run projections, which I am about to share with you. What will be clear from these projections is that the larger a taxpayer's medical expenses, the more of a Vermont tax increase from the prior year they are experiencing under the new law. People with high medical expenses don't see their costs drop from one year to another. The costs of chronic illness and the of aging do not go away.

In addition, it is also clear that the implementation of the personal exemption and standard deduction did not mitigate the Vermont tax increase. You can tell this by comparing identical income and expenses under the 2017 and 2018 law, which I will show in my projections.

I have prepared three sets of tax projections for you today using different levels of medical expenses which represent levels I see in my practice. I

rounded them for simplicity. All three projections use the same fact pattern for income. The fact pattern assumes the client has some savings and has retirement income and social security. The figures are based on one of my clients in assisted living and have also been rounded for simplicity.

I first presented the actual Vermont tax under 2017 law so you could see how the Vermont tax used to work. I then presented the tax under the current law so you could review the large tax increase that my clients are now seeing. Next, I presented what the reduced tax would be if H.199 is implemented. This Act adds the medical expenses after the reduction for the personal exemption and standard deduction. For comparison, I also presented what would happen if the standard deduction was removed, and finally, if both the standard deduction and the personal exemption were removed.

Please feel free to ask any questions. I have back up support for all these spreadsheets at my office if anyone would like to see additional calculations.

I believe that the impact of the elimination of the medical expense deduction on the disability and senior population was inadvertently overlooked and I respectfully ask this committee to do what it can to restore the deduction.

Thank you for allowing me to testify.

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

Fact Pattern	Amounts
Income:	
Interest	500
Gross Social security benefits	20,000
Less: Non-taxable social security	(3,000)
Retirement income	<u>77,000</u>
Adjusted gross income	94,500
Medical expenses:	
Scenario #1	23,000
Scenario #2	53,000
Scenario #3	93,000

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

	2017	Current law 2018	Under H199	Medical less Std Deduction	Medical less Std Deduction & personal & personal Exemption
Federal Adjusted Gross income	94,500	94,500	94,500	94,500	94,500
Itemized deductions:					
Medical deduction	(15,912)	-	(15,912)	(15,912)	(15,912)
Tax deduction	(562)	-	-	-	-
Standard deduction	-	(7,000)	(7,000)	-	-
Personal exemption	(4,050)	(4,150)	(4,150)	(4,150)	-
Vermont state taxable income	<u>73,976</u>	<u>83,350</u>	<u>67,438</u>	<u>74,438</u>	<u>78,588</u>
Vermont income tax	3,797	4,243	3,193	3,655	3,929

Client with \$23,000 of medical expenses

Summary Report

	Current law		H199	H199-standard deduction	Medical only
	2017	2018	2018	2018	2018
Income:					
Interest & Dividends	500	500	500	500	500
Social Security Benefits	17,000	17,000	17,000	17,000	17,000
Other Income	77,000	77,000	77,000	77,000	77,000
Total Income	94,500	94,500	94,500	94,500	94,500
Total Adjustments	0	0	0	0	0
Adjusted Gross Income	94,500	94,500	94,500	94,500	94,500
Personal Exemptions	4,050	0	0	0	0
Itemized Deductions:					
Medical Expense	15,912	15,912	15,912	15,912	15,912
Taxes	562	562	562	562	562
Total Itemized	16,474	16,474	16,474	16,474	16,474
Standard Deduction	7,900	13,600	13,600	13,600	13,600
Total Deductions from AGI	20,524	16,474	16,474	16,474	16,474
Taxable Income	73,976	78,026	78,026	78,026	78,026
Regular Tax:					
Schedule or Table Tax	14,233	13,105	13,105	13,105	13,105
Appropriate Regular Tax	14,233	13,105	13,105	13,105	13,105
Total Federal Taxes	14,233	13,105	13,105	13,105	13,105
Net Federal Tax Due	14,233	13,105	13,105	13,105	13,105
Resident State Tax	3,797	4,243	3,193	3,655	3,929
Net Resident State Tax Due	3,797	4,243	3,193	3,655	3,929
Total Net Tax Due	18,030	17,348	16,298	16,760	17,034
Marginal Nominal Federal Rate	25	22	22	22	22
Marginal Federal Rate with Phaseouts	25	22	22	22	22
Marginal Resident State Rate	7	7	7	7	7

Client with \$23,000 of medical expenses

State Tax - Main Worksheet: Vermont

	Current law		H199	H199-standard deduction	Medical only
	2017	2018	2018	2018	2018
State Filing Status	Single	Single	Single	Single	Single
Number of Personal Exemptions	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Federal AGI	94,500	94,500	94,500	94,500	94,500
Adjustments for State AGI	<u>0</u>	<u>0</u>	<u>-15,912</u>	<u>-15,912</u>	<u>-11,762</u>
State AGI	94,500	94,500	78,588	78,588	82,738
State Itemized Deductions	16,474	0	0	0	0
State Standard Deduction	7,900	7,000	7,000	0	0
State Pers Exemption/QBI Deduction	<u>4,050</u>	<u>4,150</u>	<u>4,150</u>	<u>4,150</u>	<u>4,150</u>
State Taxable Income	73,976	83,350	67,438	74,438	78,588
Alternate State Tax Base	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
State Regular Tax	3,797	4,243	3,193	3,655	3,929
State Alternative Capital Gains Tax	0	0	0	0	0
State Supplementary Tax	0	0	0	0	0
State Minimum Tax	0	0	0	0	0
Disallowed Nonrefundable Credits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Resident State Taxes	<u>3,797</u>	<u>4,243</u>	<u>3,193</u>	<u>3,655</u>	<u>3,929</u>
Total State Taxes	3,797	4,243	3,193	3,655	3,929

Adjustments for State AGI: Vermont

	Current law		H199	H199-standard deduction	Medical only
	2017	2018	2018	2018	2018
Additions to Federal AGI:					
Other Additions	0	0	0	0	4,150
Total Additions	0	0	0	0	4,150
Subtractions From Federal AGI:					
Other Subtractions	0	0	15,912	15,912	15,912
Total Subtractions	0	0	15,912	15,912	15,912
Net Adjustments for State AGI	0	0	-15,912	-15,912	-11,762

Presentation to Vermont House Ways and Means Committee
Vermont Tax Calculation Analysis
Medical Expense Deduction = \$53,000

	<u>2017</u>	<u>Current law 2018</u>	<u>Under H199</u>	<u>Medical less Std Deduction</u>	<u>Medical less Std Deduction & personal & personal Exemption</u>
Federal Adjusted Gross income	94,500	94,500	94,500	94,500	94,500
Itemized deductions:					
Medical deduction	(45,912)	-	(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>	<u>-</u>
Vermont state taxable income	<u>43,976</u>	<u>83,350</u>	<u>37,438</u>	<u>44,438</u>	<u>48,588</u>
Vermont income tax	1,757	4,243	1,254	1,675	1,949

Client with \$53,000 of medical expenses

Summary Report

	Current law		H199	H199-standard deduction	Medical only
	2017	2018	2018	2018	2018
Income:					
Interest & Dividends	500	500	500	500	500
Social Security Benefits	17,000	17,000	17,000	17,000	17,000
Other Income	77,000	77,000	77,000	77,000	77,000
Total Income	94,500	94,500	94,500	94,500	94,500
Total Adjustments	0	0	0	0	0
Adjusted Gross Income	94,500	94,500	94,500	94,500	94,500
Personal Exemptions	4,050	0	0	0	0
Itemized Deductions:					
Medical Expense	45,912	45,912	45,912	45,912	45,912
Taxes	562	562	562	562	562
Total Itemized	46,474	46,474	46,474	46,474	46,474
Standard Deduction	7,900	13,600	13,600	13,600	13,600
Total Deductions from AGI	50,524	46,474	46,474	46,474	46,474
Taxable Income	43,976	48,026	48,026	48,026	48,026
Regular Tax:					
Schedule or Table Tax	6,733	6,505	6,505	6,505	6,505
Appropriate Regular Tax	6,733	6,505	6,505	6,505	6,505
Total Federal Taxes	6,733	6,505	6,505	6,505	6,505
Net Federal Tax Due	6,733	6,505	6,505	6,505	6,505
Resident State Tax	1,757	4,243	1,254	1,675	1,949
Net Resident State Tax Due	1,757	4,243	1,254	1,675	1,949
Total Net Tax Due	8,490	10,748	7,759	8,180	8,454
Marginal Nominal Federal Rate	25	22	22	22	22
Marginal Federal Rate with Phaseouts	25	22	22	22	22
Marginal Resident State Rate	7	7	3	7	7

Client with \$53,000 of medical expenses

State Tax - Main Worksheet: Vermont

	Current law		H199	H199-standard deduction	Medical only
	2017	2018	2018	2018	2018
State Filing Status	Single	Single	Single	Single	Single
Number of Personal Exemptions	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Federal AGI	94,500	94,500	94,500	94,500	94,500
Adjustments for State AGI	<u>0</u>	<u>0</u>	<u>-45,912</u>	<u>-45,912</u>	<u>-41,762</u>
State AGI	94,500	94,500	48,588	48,588	52,738
State Itemized Deductions	46,474	0	0	0	0
State Standard Deduction	7,900	7,000	7,000	0	0
State Pers Exemption/QBI Deduction	<u>4,050</u>	<u>4,150</u>	<u>4,150</u>	<u>4,150</u>	<u>4,150</u>
State Taxable Income	43,976	83,350	37,438	44,438	48,588
Alternate State Tax Base	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
State Regular Tax	1,757	4,243	1,254	1,675	1,949
State Alternative Capital Gains Tax	0	0	0	0	0
State Supplementary Tax	0	0	0	0	0
State Minimum Tax	0	0	0	0	0
Disallowed Nonrefundable Credits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Resident State Taxes	<u>1,757</u>	<u>4,243</u>	<u>1,254</u>	<u>1,675</u>	<u>1,949</u>
Total State Taxes	1,757	4,243	1,254	1,675	1,949

Adjustments for State AGI: Vermont

	Current law		H199	H199-stand dard deduction	Medical only
	2017	2018	2018	2018	2018
Additions to Federal AGI:					
Other Additions	0	0	0	0	4,150
Total Additions	0	0	0	0	4,150
Subtractions From Federal AGI:					
Other Subtractions	0	0	45,912	45,912	45,912
Total Subtractions	0	0	45,912	45,912	45,912
Net Adjustments for State AGI	0	0	-45,912	-45,912	-41,762

Presentation to Vermont House Ways and Means Committee
Vermont Tax Calculation Analysis
Medical Expense Deduction = \$93,000

	<u>2017</u>	<u>Current law 2018</u>	<u>Under H199</u>	<u>Medical less Std Deduction</u>	<u>Medical less Std & personal & personal Exemption</u>
Federal Adjusted Gross income	94,500	94,500	94,500	94,500	94,500
Itemized deductions:					
Medical deduction	(85,912)	-	(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>	<u>-</u>
Vermont state taxable income	<u>3,976</u>	<u>83,350</u>	<u>(2,562)</u>	<u>4,438</u>	<u>8,588</u>
Vermont income tax	141	4,243	-	149	288

Client with \$93,000 of medical expenses

Summary Report

	Current law		H199	H199-standard deduction	Medical only
	2017	2018	2018	2018	2018
Income:					
Interest & Dividends	500	500	500	500	500
Social Security Benefits	17,000	17,000	17,000	17,000	17,000
Other Income	77,000	77,000	77,000	77,000	77,000
Total Income	94,500	94,500	94,500	94,500	94,500
Total Adjustments	0	0	0	0	0
Adjusted Gross Income	94,500	94,500	94,500	94,500	94,500
Personal Exemptions	4,050	0	0	0	0
Itemized Deductions:					
Medical Expense	85,912	85,912	85,912	85,912	85,912
Taxes	562	562	562	562	562
Total Itemized	86,474	86,474	86,474	86,474	86,474
Standard Deduction	7,900	13,600	13,600	13,600	13,600
Total Deductions from AGI	90,524	86,474	86,474	86,474	86,474
Taxable Income	3,976	8,026	8,026	8,026	8,026
Regular Tax:					
Schedule or Table Tax	398	803	803	803	803
Appropriate Regular Tax	398	803	803	803	803
Total Federal Taxes	398	803	803	803	803
Net Federal Tax Due	398	803	803	803	803
Resident State Tax	141	4,243	0	149	288
Net Resident State Tax Due	141	4,243	0	149	288
Total Net Tax Due	539	5,046	803	952	1,091
Marginal Nominal Federal Rate	10	10	10	10	10
Marginal Federal Rate with Phaseouts	10	10	10	10	10
Marginal Resident State Rate	4	7	0	3	3

Client with \$93,000 of medical expenses

State Tax - Main Worksheet: Vermont

	Current law		H199	H199-standard deduction	Medical only
	2017	2018	2018	2018	2018
State Filing Status	Single	Single	Single	Single	Single
Number of Personal Exemptions	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Federal AGI	94,500	94,500	94,500	94,500	94,500
Adjustments for State AGI	<u>0</u>	<u>0</u>	<u>-85,912</u>	<u>-85,912</u>	<u>-81,762</u>
State AGI	94,500	94,500	8,588	8,588	12,738
State Itemized Deductions	86,474	0	0	0	0
State Standard Deduction	7,900	7,000	7,000	0	0
State Pers Exemption/QBI Deduction	<u>4,050</u>	<u>4,150</u>	<u>4,150</u>	<u>4,150</u>	<u>4,150</u>
State Taxable Income	3,976	83,350	-2,562	4,438	8,588
Alternate State Tax Base	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
State Regular Tax	141	4,243	0	149	288
State Alternative Capital Gains Tax	0	0	0	0	0
State Supplementary Tax	0	0	0	0	0
State Minimum Tax	0	0	0	0	0
Disallowed Nonrefundable Credits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Resident State Taxes	<u>141</u>	<u>4,243</u>	<u>0</u>	<u>149</u>	<u>288</u>
Total State Taxes	141	4,243	0	149	288

Client with \$93,000 of medical expenses

Adjustments for State AGI: Vermont

	Current law		H199	H199-standard deduction	Medical only
	2017	2018	2018	2018	2018
Additions to Federal AGI:					
Other Additions	0	0	0	0	4,150
Total Additions	0	0	0	0	4,150
Subtractions From Federal AGI:					
Other Subtractions	0	0	85,912	85,912	85,912
Total Subtractions	0	0	85,912	85,912	85,912
Net Adjustments for State AGI	0	0	-85,912	-85,912	-81,762

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H.199

Introduced by Representatives Webb of Shelburne and Brumsted of Shelburne
Referred to Committee on
Date:
Subject: Taxation; income taxes; medical expenses
Statement of purpose of bill as introduced: This bill proposes to permit a
reduction in taxable income for Vermont’s personal income tax filers for
medical expenses deducted at the federal level.

An act relating to a deduction for medical expenses

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 32 V.S.A. § 5811(21) is amended to read:

(21) “Taxable income” means, in the case of an individual, federal
adjusted gross income determined without regard to 26 U.S.C. § 168(k) and:

* * *

(C) Decreased by the following exemptions and deductions:

(i) a personal exemption of \$4,150.00 per person for the taxpayer,
for the spouse or the deceased spouse of the taxpayer whose filing status under
section 5822 of this chapter is married filing a joint return or surviving spouse,
and for each individual qualifying as a dependent of the taxpayer under

1 26 U.S.C. § 152, provided that no exemption may be claimed for an individual
2 who is a dependent of another taxpayer;

3 (ii) a standard deduction determined as follows:

4 (I) for taxpayers whose filing status under section 5822 of this
5 chapter is unmarried (other than surviving spouses or heads of households) or
6 married filing separate returns, \$6,000.00;

7 (II) for taxpayers whose filing status under section 5822 of this
8 chapter is head of household, \$9,000.00;

9 (III) for taxpayers whose filing status under section 5822 of this
10 chapter is married filing joint return or surviving spouse, \$12,000.00;

11 (iii) an additional deduction of \$1,000.00 for each federal
12 deduction under 26 U.S.C. § 63(f) that the taxpayer qualified for and received;
13 and

14 (iv) an amount equal to the itemized deduction for medical
15 expenses taken at the federal level by the taxpayer, under 26 U.S.C. § 213.

16 (D) the The dollar amounts of the personal exemption allowed under
17 subdivision (i) of ~~this~~ subdivision (21)(C) of this section, the standard
18 deduction allowed under subdivision (ii) of ~~this~~ subdivision (21)(C) of this
19 section, and the additional deduction allowed under subdivision (iii) of ~~this~~
20 subdivision (21)(C) of this section shall be adjusted annually for inflation by
21 the Commissioner of Taxes beginning with taxable year 2018 by using the

1 Consumer Price Index and the same methodology as used for adjustments
2 under 26 U.S.C. § 1(f)(3); provided, however, that as used in this subdivision,
3 “consumer price index” means the last Consumer Price Index for All Urban
4 Consumers published by the U.S. Department of Labor.

5 Sec. 2. EFFECTIVE DATE

6 Notwithstanding 1 V.S.A. § 214, this act shall take effect retroactively on
7 January 1, 2019 and apply to taxable year 2019 and after.