

76TH OREGON LEGISLATIVE ASSEMBLY 2011 Regular Session
PRELIMINARY STAFF MEASURE SUMMARY
HOUSE REVENUE COMMITTEE

MEASURE: HB 2577
CARRIER:

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EXHIBIT: B
HOUSE REVENUE COMMITTEE
DATE: 3/18/2011 PAGES: 1
SUBMITTED BY: CHAS ALLANACH

REVENUE:
FISCAL:

Action:
Vote:

Yeas:
Nays:
Exc.:

Prepared By: Chris Allanach, Economist
Meeting Dates: 3/17

WHAT THE BILL DOES: Converts the elderly medical (itemized) deduction to a subtraction. Limits the subtraction to the lesser of 7.5 percent of the taxpayer's federal adjusted gross income or either \$2,500 (single) or \$5,000 (joint). Gradually increases the eligibility age from 62 in tax year 2010 to 66 by tax year 2014. Phases-out the subtraction for single taxpayers with income between \$125,000 and \$165,000, and for joint taxpayers within income between \$250,000 and \$330,000. Applies to tax years beginning on or after January 1, 2011.

ISSUES DISCUSSED:

EFFECT OF COMMITTEE AMENDMENTS:

BACKGROUND: Taxpayers who itemize deductions may deduct medical and dental expenses that exceed 7.5 percent of their adjusted gross income. This Oregon policy expands the deduction to those qualified medical or dental expenses that total less than 7.5 percent of adjusted gross income. To be eligible for this deduction under current law, taxpayers must be at least 62 years of age and itemize their Oregon deductions (but not necessarily their federal deductions). When combined with the federal deduction, the effect is to allow these taxpayers to subtract the full amount of their medical and dental expenses from Oregon taxable income.

In 2008, roughly 226,000 full-year filers claimed a total of roughly \$760 million in these deductions, an average deduction of \$3,357. As per the 2011-13 Tax Expenditure Report, the projected revenue loss under current law for the itemized deduction is \$148.1 million.

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