

REVENUE:
FISCAL:

Action:

Vote:

Yeas:

Nays:

Exc.:

Prepared By: Chris Allanach, Economist

Meeting Dates: 3/17

MEASURE: HB 2582
EXHIBIT: a
HOUSE REVENUE COMMITTEE
DATE: 3/18/2011 PAGES: 1
SUBMITTED BY: CHRIS ALLANACH

WHAT THE BILL DOES: Increases the eligibility age for the elderly medical deduction from 62 to 65 for tax years 2011 to 2018; increases the eligibility age to 67 for subsequent years. Phases-out the subtraction for single taxpayers with income between \$125,000 and \$145,000, and for joint taxpayers within income between \$250,000 and \$290,000. Requires the Department of Revenue to estimate the increase in revenue from this policy each year and deposit that income into the Elderly and Disabled Special Transportation Fund. 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 2001-13 Tax Expenditure Report, the projected revenue loss under current law for the itemized deduction is \$148.1 million.