

**Testimony before the House Revenue Committee  
concerning HB 2577 and HB 2582**

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- 1) Oregon's existing Medical Deduction provides tax deductions to thousands of Oregonians who don't need them, depriving the state of hundreds of millions of dollars that could be used for better purposes.
- 2) Both bills address this problem, but neither bill addresses the problem adequately because they do not limit the tax deduction to people who need it most.
- 3) I have read that people with above average income receive more than 80% of the current benefits. My wife and I are retirees with more than average income thanks to PERS, Social Security, our savings and investments. Like everyone else our age, we have Medicare. As far as we are concerned, it's nice to have Oregon's generous medical deduction, but we don't need it, and neither do other Oregonians like us. But my wife and I would still be eligible under both these bills, not just next year, but even after these bills raise the age of eligibility.
- 4) These two bills are motivated by the immediate budget crisis and the long-term effect that the Baby Boomers will have on the deduction. Why then are these two bills so cautious about cutting the deduction?
- 5) The answer: to avoid offending senior voters. I realize that lots of seniors are hypersensitive about their public benefits, even those who are objectively well-off. But even the most defensive seniors would recognize that Oregon's current Medical Deduction is way too generous when compared with the Federal medical deduction.
- 6) The Federal deduction starts when the person's medical expenses exceed 7.5% of gross income. It is based on the idea that all Americans should be allowed to deduct medical expenses when they are exceptionally high. Because of this high bar, my wife and I have never qualified for the Federal deduction. Even so, we have never complained that the Federal deduction is ungenerous, and I've never heard anyone else complain either, not even people our age or older.
- 7) It's obvious that the Oregon deduction was designed to complement the Federal deduction. The Federal deduction starts at 7.5% of gross income and covers any medical expenses that exceed that. The Oregon deduction ends at 7.5% and covers any medical expenses up to that point.

- 8) Somewhere the Oregon deduction went awry. While the Federal deduction is limited to exceptionally high medical expenses regardless of income, Oregon grants everyone a medical deduction up to 7.5% regardless of income. To illustrate, if a 62 year old Oregonian had medical expenses of \$7,501 dollars and a gross income of \$100,000, that person would get a Federal deduction of \$1 and an Oregon deduction of \$7,500. Is there any senior out there who believes that Oregon has pockets that much deeper than the Feds?
- 9) The Oregon deduction would make more fiscal and social sense if it were restricted to people with incomes low enough to make any medical expense a problem. By covering each dollar of medical expense up to 7.5% for families with incomes up to twice the Poverty Level, the Legislature would be helping people most in need without an excessive burden on Oregon revenues.
- 10) If the Legislature does cut the Medical Deduction significantly, what should the State do with the additional revenue? As a concession to senior voters, HB2582 would dedicate those dollars to Senior Transportation. As a senior voter, I hope the Legislature and my fellow seniors will raise their sights to the broad interest of the state as a whole. The funds should be delivered to the General Fund without restriction, so Legislators will be free to direct them to the State's most urgent needs.
- 11) Personally I hope that the Legislature will use a large part of those funds to enhance the Oregon Health Plan, especially to prepare it for integration with the national health reform act. For more than 20 years the Oregon health community has dedicated itself to scientifically-based reorganization of our state's health system. The Oregon Legislature has been central to that movement. Unfortunately the Federal Government set roadblocks in the way. Now that the Federal Government has removed those roadblocks, the Legislature will need additional revenues to push the Oregon Health Plan towards fulfillment.