

Senior Medical

Options

	Current Law Deduction	\$100 Option Revise current law to Increase Fairness Give Every Senior \$100 Medical tax break	HB2577-Gelser Subtraction Means test \$165,000 ¹ \$2500 cap/person Age to 66 over time	HB2582-Beyer Deduction Means test \$145,000 ² No Cap Age to 65 in 2011 Age to 67 in 2019 \$ to Senior Transport	Amendment Deduction No Means Test \$1000 Cap/person Age to 67 over time Remove inflation adjustors	Amendment Deduction \$38,500 Means Test No Cap Age to 67 over time Remove inflation adjustors
# Using 2011-13	240,000	550,000	550,000 ³	220,000	240,000	106,800
Max med costs	7.5% of income	7.5% of income	\$2500	7.5% of income	\$1000	7.5% of \$38,500 = \$72 at \$1000
Typical Tax Break	\$270/yr ⁴	\$100/yr	\$180/yr	\$270/yr	\$72/yr	\$72 at \$1000
Max Tax Break	\$15,000/yr ⁵	\$100/yr	\$205/yr	\$820	\$99/yr	\$190/yr a \$1875
Revenue Loss 2011-13	\$148 m	\$55 m if 65 yr old elig more if 62 yr old elig	Gelser-saves \$10-20m @ \$1000 each ⁶	Beyer-saves	\$35 m at \$1000 each with 7.2% average tax rate ⁷	\$15 m at \$1000 \$26 m ⁸ at \$1875 medical costs each year
Revenue Loss 2027-29 assuming 70% growth in senior population	408,000 ⁹ users age 62+ 5% medical cost inflation	\$94 m at 65 yr More if 62 yr	816,000 income eligible users age 66+ 5% medical cost inflation	790,000	350,000 users age 67+ \$1000 each with 7.2% tax rate ¹⁰	172,000 income eligible users Age 67+ No inflation adjustments so \$26 m biennium
Cost in today's dollars	\$523 m		\$244 m @ \$2080 \$294 m @ \$2500		\$50 m at \$1000	

These are very rough estimates, based on guesses and crossed fingers- but the best we could do in one evening and could be subject to error!

MEASURE: #B 2582
 EXHIBIT: #
 HOUSE REVENUE COMMITTEE
 DATE: 3/18/2011 PAGES: 2
 SUBMITTED BY: JODY WISER

¹ Cap and Means test amounts is for one taxpayer. Double for married filing joint, head of household or surviving spouse
² Means test amount is for one. Double for two, head of household or surviving spouse
³ Assuming if Oregon has 480,000 taxpayers over age 65, there must be 550,000 over age 62, subtracting 20,000 who earn more than \$165,000 and are ineligible, we assume approximately 530,000 taxpayers can deduct up to \$2500, but that the average deduction is \$1000 or \$2000/year.
⁴ \$50,000 taxable income x 7.5% eligible costs x 7.2% typical tax rate
⁵ \$2,000,000 x 7.5% x 9.95 tax rate = \$15,000/yr tax savings if experience costs of \$150,000/yr
⁶ Assuming \$1000 deduction at 7.2% tax rate x 550,000 eligible participants
⁷ Assuming \$1000 deduction at 7.2% tax rate x 240,000 participants x 2 years
⁸ Assuming average income of \$25,000 x 0.075 benefit allowed = \$1875 at 6.5% tax rate = \$122 /yr benefit x 106,800 eligible taxpayers x 2 years = \$26 m tax expenditure
⁹ Assuming 70% increase in senior population over the next 15 years (2026)
¹⁰ Assuming \$1000 medical costs each x 7.2% tax rate x 2 years = \$144 benefit each x 350,000 users x 2 years = \$101 m

Senior Medical Deduction Meeting
12-1 Wednesday, March 9, 2011

Agenda

- Introductions

- Optional Plans:
 - Sunset in future biennium
 - No help this biennium
 - Simple majority

 - \$100 tax credit for all seniors
 - Lowers taxes for most seniors
 - Returns significant funds to state
 - Requires 3/5 majority

- Earmark?

- Talking points

- Timing