

**2013 AARP SURVEY
OF OREGON MEMBERS ON
STATE BUDGET ISSUES:
SENIOR MEDICAL DEDUCTION**

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2013 AARP Survey of Oregon Members on State Budget Issues: Senior Medical Deduction

SURVEY BACKGROUND

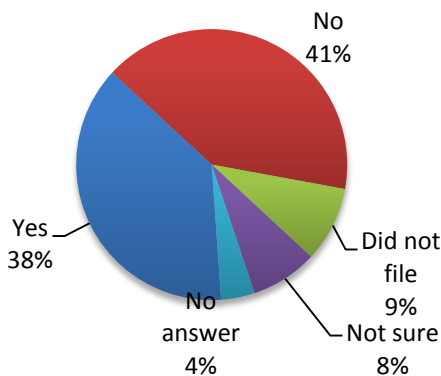
Like many states, Oregon continues to face difficult budget challenges. In an effort to adequately fund essential services of education, public safety and human services, the governor and legislators are exploring various tax options. One option under consideration is related to the Additional Medical Deduction for the Elderly, commonly referred to as the Senior Medical Deduction. As the number of taxpayers age 62 and older claiming the Senior Medical Deduction increases, the cost of the deduction (the amount of tax revenue needed to pay for the deduction) to the state’s taxpayers also increases. In the 2011-13 biennium budget, the cost of the Senior Medical Deduction is expected to be about \$151.5 million. By the 2019-21 biennium, the cost of the deduction is expected to be about \$276 million. The increasing cost associated with the Senior Medical Deduction may not be sustainable in the future. To ensure the deduction is available to those most in need, a number of options are under consideration that would cap or decrease the cost of the deduction.

In an effort to gauge the opinions of Oregon members, AARP Oregon commissioned this mail survey of 2,000 members. Exactly 656 useable surveys were returned by the cut-off date, for a response rate of 33 percent. The survey has a margin of error of +/- 3.8 percent at a 95 percent confidence interval.

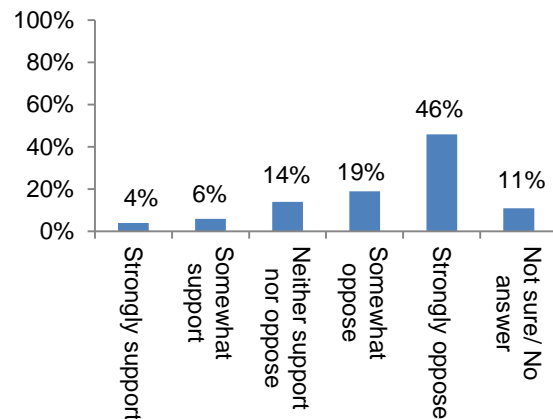
SURVEY HIGHLIGHTS

The Senior Medical Deduction is a tax exemption that allows people 62 and older who itemize their deductions to claim all their medical expenses on their state income taxes. Two-thirds (65%) of Oregon members age 50 and older strongly or somewhat oppose eliminating the deduction, even though only about four in ten (38%) claimed medical or dental expenses for the deduction on their 2011 tax return.

Claimed Medical or Dental Expenses Under the Senior Medical Deduction (n=656 members)

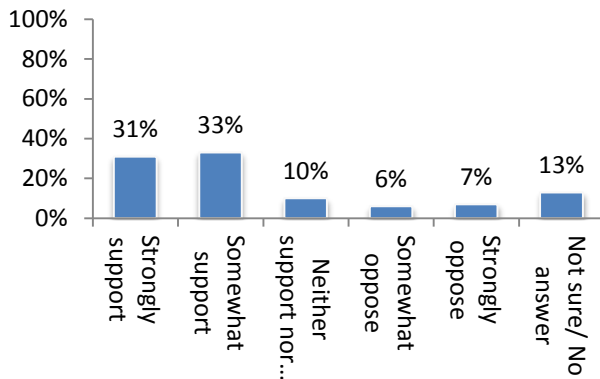


Support for Eliminating the Senior Medical Deduction (n=656 members)

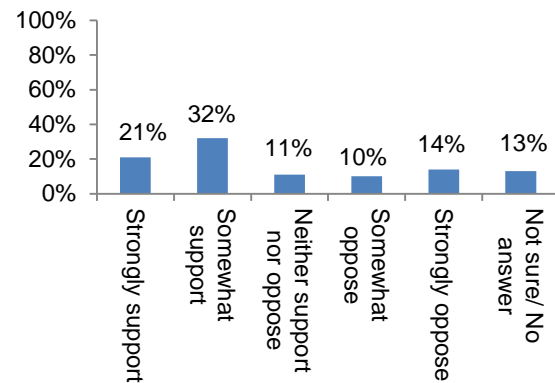


When looking for ways to modify or change the deduction, many AARP members are in support of proposals that base the deduction on an individual's income or age. Nearly two-thirds strongly or somewhat support a proposal that would phase-out the deduction based on income. Along the same lines, 53 percent somewhat or strongly support a proposal that would make the deduction proportional to the tax filer's income and medical expenses. Members are more equally split on a proposal to increase the eligibility age: 37 percent somewhat or strongly support increasing the eligibility age, while 41 percent strongly or somewhat oppose the age increase.

Support for Phasing Out Senior Medical Deduction Based on Income (n=656 members)

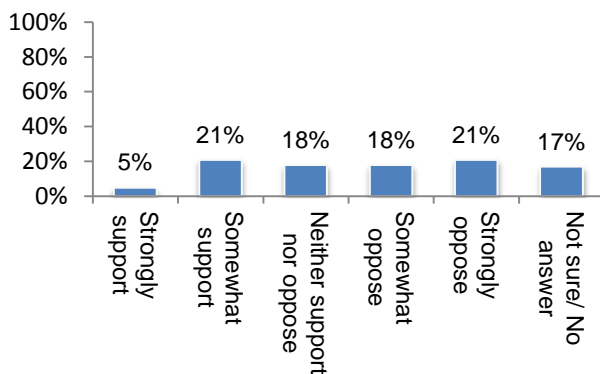


Support for Making the Senior Medical Deduction Proportionate to Income (n=656 members)

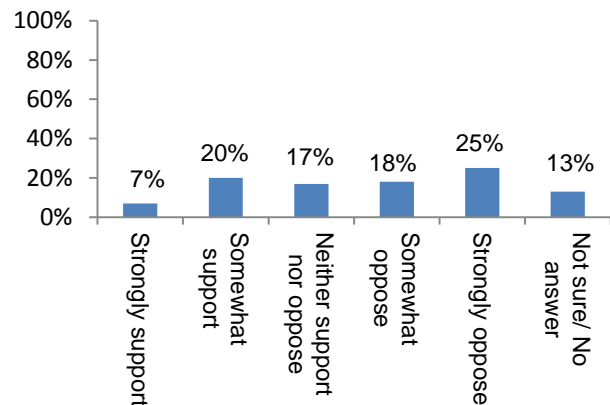


Other proposals call for changing the deduction to a subtraction, which would remove the need to itemize deductions. Four in ten (41%) members support this proposal. About one-quarter of Oregon members age 50 and older are opposed to proposals that place caps on the Senior Medical Deduction. While 26 percent say that they strongly or somewhat support placing a cap on the tax subtraction, 39 percent oppose the cap. Additionally, 27 percent support placing a cap on the deduction amount; however, 43 percent oppose to a cap on the deduction.

Support for Placing a Cap on the Tax Subtraction (n=656 members)

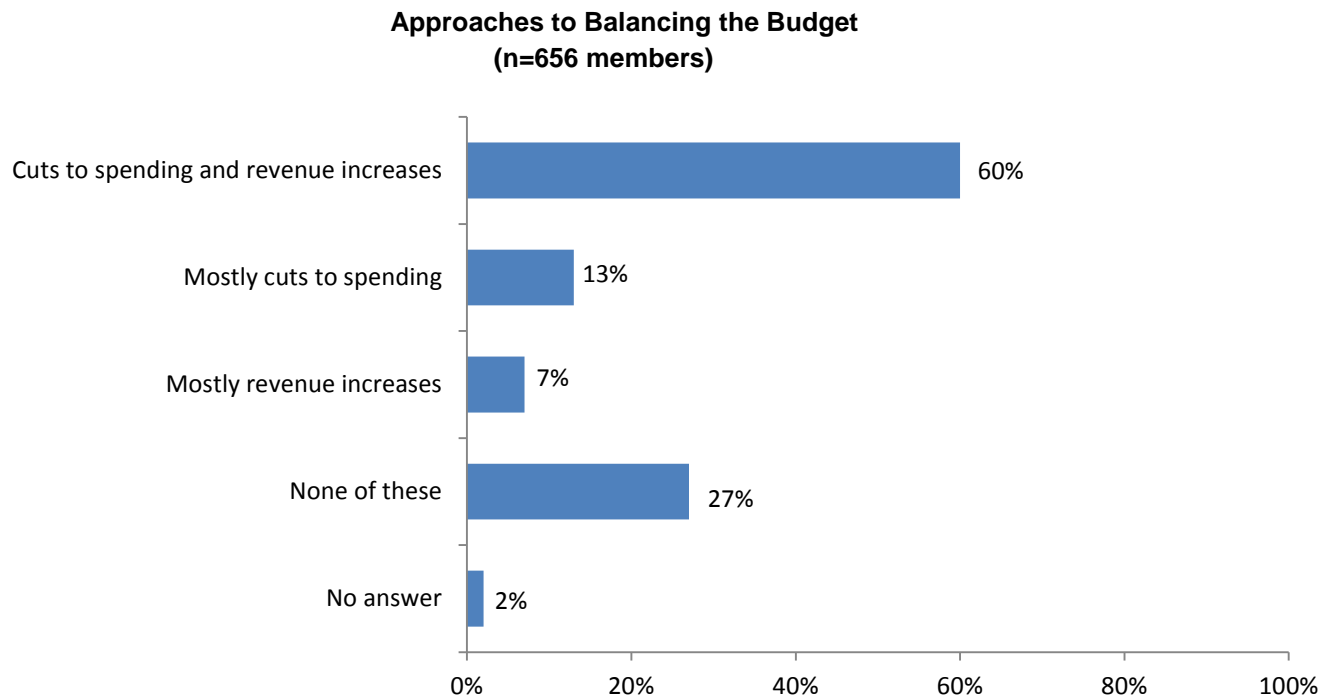


Support for Placing a Cap on the Deduction Amount (n=656 members)

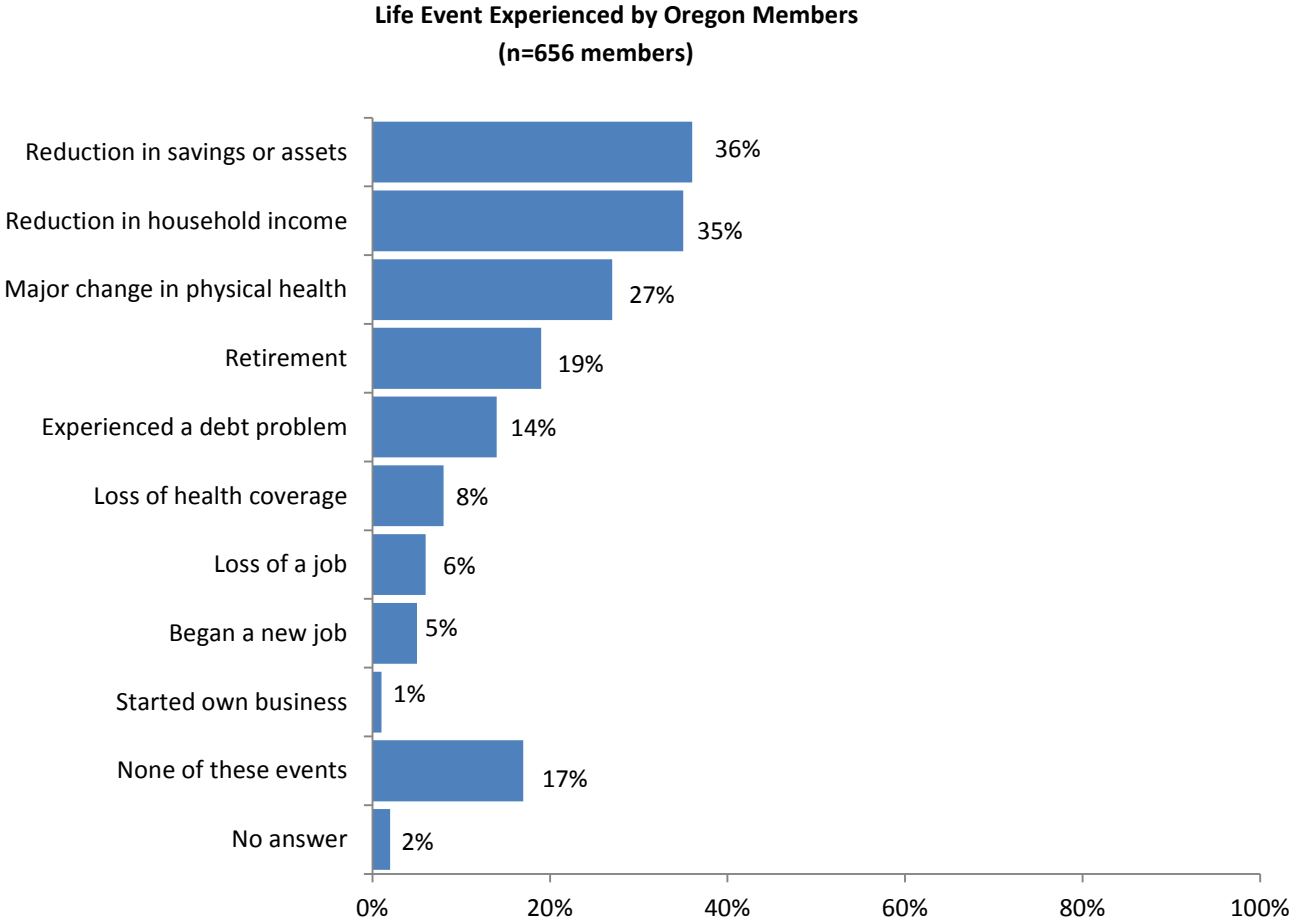


When AARP members were presented in this survey with specific tax expenditures (or tax breaks) to balance the budget, the most supported proposal was the one to eliminate personal income tax credits for political contributions with seven in ten Oregon AARP members age 50 and older strongly or somewhat supporting it. About one-half of AARP members strongly or somewhat support eliminating the home mortgage interest deduction on second homes and limiting the personal exemption credit to only low and moderate income households. About one-quarter supports either reducing the personal exemption credit for all households by ten percent or eliminating the personal income tax credit for households that purchase long-term care insurance.

Most (60%) Oregon members prefer that the budget be balanced by a combination of cuts to spending **and** revenue increases. One in eight respondents say that there should be mostly cuts to spending, while seven percent say there should be mostly revenue increases. More than one-quarter of respondents says that none of the three options represented their opinion



Many Oregon members age 50 and older have experienced health and financial events that have affected them in the past two years. More than one-third has experienced a household income reduction or a reduction in savings or assets. More than a quarter experienced major changes in physical health and about two in ten retired. In addition, one in seven experienced a debt problem.



Methodology

This report is based on data from a mail survey of 2,000 AARP members residing in the state of Oregon. Each respondent was contacted at most four times receiving the following pieces of mail: pre-notification postcard, the first survey, a reminder postcard, and a second survey.

The survey was fielded from November 28, 2012 through January 18, 2013 and exactly 656 useable surveys were returned by the cut-off date, for a response rate of 33 percent. The survey has a margin of error of +/- 3.8 percent at a 95 percent confidence interval. The sample was weighted by age and gender of AARP members in Oregon.

Percents may not add to 100 percent due to rounding. Also due to rounding, the percentages reported in the text may vary slightly from those in the annotation or in graphs.

2013 AARP Oregon Member Survey (n=656)

8. Overall, would you say Oregon's state government is currently on the right track or on the wrong track with its spending and revenue policies?

- 45% Oregon's spending and revenue policies are on the wrong track
- 43% Oregon's spending and revenue policies are on the right track
- 12% No Answer

Oregon Taxes and Revenues

9. In 2012, was a 2011 Oregon tax return completed and filed by you or your spouse (if married)?

- 84% Yes
- 14% No
- 2% No Answer

10. Did you or your spouse (if married) itemize expenses to take advantage of certain tax breaks or deductions on your 2011 Oregon tax returns?

- 68% Yes
- 29% No
- 3% No Answer

11. Like many states, Oregon is facing difficult economic choices in the coming months as the Governor and State Legislators try to balance the state's 2013-2015 biennial budget. There are three major approaches to balancing a budget: cut state services or increase revenues or a combination of both. Which statement best represents your opinion? [Check (✓) only ONE]

- 12.
- 13% There should be mostly cuts to spending on state services to balance the Oregon state budget
 - 7% There should be mostly revenue increases to balance the Oregon state budget
 - 60% There should be both cuts to spending on state services and revenue increases to balance the Oregon state budget
 - 17% NONE of these represent my opinion
 - 2% No Answer

13. One approach to raising revenue in the state is to reduce income tax breaks. Both corporations and personal taxpayers in Oregon can claim certain tax breaks. In all, tax breaks cost Oregon over \$11 billion per biennium budget year and Oregon spends approximately \$14 billion per biennial budget year on state services and programs. How strongly do you support or oppose the state reducing or eliminating each of the following personal tax breaks as a way to balance the budget and avoid cuts to state services and programs?

	Strongly support	Somewhat support	Neither support nor oppose	Somewhat oppose	Strongly oppose	No Answer
a. Eliminate home mortgage interest deduction on second home	34%	20%	16%	8%	18%	5%
b. Eliminate personal income tax credits for political contributions	51%	18%	14%	6%	7%	5%
c. Limit the personal exemption credit to only low and moderate income households	20%	28%	18%	14%	15%	4%
d. Eliminate the personal income tax credit for households that purchased long-term care insurance	9%	14%	33%	20%	19%	6%
e. Reduce the personal exemption credit for all households by 10 percent	7%	21%	28%	17%	22%	5%

14. All Oregon taxpayers who itemize deductions may deduct from their federal taxable income medical and dental expenses that exceed 7.5% of their adjusted gross income. In Oregon, if you are 62 years old or older and itemize you deductions, you can claim 100% of your medical and dental expenses on your Oregon tax return. Did you claim any medical or dental expenses on your 2011 state return under the Senior Medical Deduction?

38% Yes
 41% No
 9% Did not file a return
 8% Not sure
 4% No Answer

15. As the number of taxpayers age 62 and older claiming the Senior Medical Deduction increases, the cost of the deduction (the amount of tax revenue needed to pay for the deduction) to the state's taxpayers also increases. In the 2011-13 biennium budget, the cost of the Senior Medical Deduction is expected to be about \$151.5 million. By the 2019-21 biennium, the cost of the deduction is expected to be about \$276 million. The increasing cost associated with the Senior Medical Deduction may not be sustainable in the future. To ensure the deduction is available to those most in need, a number of options are under consideration that would cap or decrease the cost of the deduction. For the following questions, please indicate how strongly you support or oppose each of the five options.

A. OPTION ONE: It has been proposed that the Senior Medical Deduction be phased-out based on income. For example, for individual filers, a phase-out might begin for those at the \$75,000 income level, with no deduction allowed above incomes of \$125,000. For joint filers, a phase-out might begin for those at the \$150,000 level with no deduction allowed above \$250,000. How strongly do you support or oppose **phasing out this deduction** based on income?

- 31% Strongly support
- 33% Somewhat support
- 10% Neither support nor oppose
- 6% Somewhat oppose
- 7% Strongly oppose
- 9% Not sure
- 4% No Answer

B. OPTION TWO: It has been proposed that a cap be placed on the amount of the Senior Medical Deduction that an individual filer and joint filers might claim on their tax return. For example, the amount might range from \$3,000 to \$5,000. How strongly do you support or oppose **capping the deduction amount**?

- 7% Strongly support
- 20% Somewhat support
- 17% Neither support nor oppose
- 18% Somewhat oppose
- 25% Strongly oppose
- 9% Not sure
- 4% No Answer

C. OPTION THREE: It has been proposed that the eligibility age for the Senior Medical Deduction be increased from 62 to 66. The age requirement would be gradually increased over several years. How strongly do you support or oppose **increasing the eligibility age?**

- 12% Strongly support
- 25% Somewhat support
- 14% Neither support nor oppose
- 14% Somewhat oppose
- 27% Strongly oppose
- 5% Not sure
- 3% No Answer

D. OPTION FOUR: The current medical deduction requires that medical and dental expenses be itemized. Many low- and moderate-income taxpayers do not itemize their expenses and do not benefit from the senior medical deduction. Converting the deduction to a subtraction would remove the requirement to itemize medical and dental expenses-- a subtraction is an amount subtract from the taxpayer's federal adjusted taxable income to determine taxable income for Oregon's tax return. How strongly do you support or oppose **changing the deduction to a tax subtraction?**

- 14% Strongly support
- 27% Somewhat support
- 22% Neither support nor oppose
- 9% Somewhat oppose
- 11% Strongly oppose
- 14% Not sure
- 4% No Answer

E. OPTION FIVE: As with the deduction, the amount of the subtraction could also be capped for individual filers and joint filers. The cap amount might range from \$1,500 to \$3,000. How strongly do you support or oppose **placing a cap on the tax subtraction?**

- 5% Strongly support
- 21% Somewhat support
- 18% Neither support nor oppose
- 18% Somewhat oppose
- 21% Strongly oppose
- 14% Not sure
- 3% No Answer

F. **OPTION SIX:** It has been proposed that the Senior Medical Deduction be proportional to the individual's or joint filers' income (a ratio related to total medical/dental expenses and a person's income). How strongly do you support or oppose **making the deduction proportional to the filer's income?**

- 21% Strongly support
- 32% Somewhat support
- 11% Neither support nor oppose
- 10% Somewhat oppose
- 14% Strongly oppose
- 10% Not sure
- 3% No Answer

16. If changes are made that reduce the cost or create savings, how strongly do you support or oppose using the savings from the Senior Medical Deduction for long-term care services?

- 21% Strongly support
- 36% Somewhat support
- 20% Neither support nor oppose
- 4% Somewhat oppose
- 6% Strongly oppose
- 11% Not sure
- 2% No Answer

17. How strongly do you support or oppose eliminating the Oregon Senior Medical Deduction?

- 4% Strongly support
- 6% Somewhat support
- 14% Neither support nor oppose
- 19% Somewhat oppose
- 46% Strongly oppose
- 9% Not sure
- 2% No Answer

About You –

The following questions are for classification purposes only and kept entirely confidential.

D1. Are you male or female?

41%	Male
59%	Female
<0.50%	No Answer

D2. What is your age as of your last birthday? _____ (in years)

19%	50 - 59
53%	60 - 74
28%	75 +
–	No Answer

D3. What is the highest level of education that you completed?

7%	0-12th grade (no diploma)
18%	High school graduate (or equivalent)
22%	Post-high-school education (no degree)
10%	2-year college degree
15%	2-year college degree
8%	Post-graduate study (no degree)
20%	Graduate or professional degree
1%	No Answer

D4. Are you of Hispanic, Spanish, or Latino origin or descent?

2%	Yes
95%	No
3%	No Answer

D5. What is your race?

- 93% White or Caucasian
- <0.50% Black or African American
- 1% American Indian or Alaska Native
- 1% Asian
- Native Hawaiian or other Pacific Islander
- 1% Other
- 4% No Answer

D6. Which of the following events have affected your life or your spouse's/partner's life over the last 2 years, that is since October 2010? [Check (✓) all that apply]

- 35% A reduction in household income
- 14% Experienced a debt problem
- 6% Loss of job
- 19% Retirement
- 5% Began a new job or career
- 1% Started own business
- 36% Reduction in savings or assets
- 8% Loss of health coverage
- 27% Major change in physical health
- 27% NONE of these events occurred to me, my spouse/partner or anyone living in my household
- 2% No Answer

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Research and Strategic Analysis

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