The Republican Tax Scheme Harms Older Americans & People with Disabilities

The health and financial security of older Americans and people with disabilities are being put at risk by the Republican tax scheme under consideration in the House of Representatives. The bill cuts tax credits and deductions critical to the financial security of many middle-class Americans and their families to help pay for large tax cuts for the wealthy and large corporations. Whether it is the employment of people with disabilities, the cost of out-of-pocket medical expenses, or making the country's businesses accessible to older citizens and people with disabilities, the Republican tax scheme will make it more costly and more difficult for older adults and Americans with disabilities to live prosperous, independent lives.

- **It eliminates a tax deduction vital to Americans with high medical costs**. By taking away medical deductions from personal income taxes, the Republican proposal would hurt older citizens with greater medical needs, people with disabilities and chronic medical conditions, and families with children who have congenital or genetic disorders and disabilities. Almost 8.8 million households claimed the medical deduction in 2015. The average deduction claimed was close to $10,000 and the cost of deducting long-term care could be ten times that amount.

- **It eliminates an incentive for businesses to hire people with disabilities, including older Americans with disabilities.** The Republican proposal would eliminate the Work Opportunity Tax Credit, which provides businesses with a federal tax credit for hiring people with disabilities, as well as others, including unemployed veterans. The current tax credit for hiring a person with a disability can be as high as $2,400 for a business.

- **It threatens research into treatments that disproportionately benefit older Americans and people with disabilities.** The bill eliminates the orphan drug tax credit, decreasing the likelihood that pharmaceutical companies would invest in research to address rare diseases and conditions. Older Americans and individuals with disabilities are more likely to be among the over 30 million Americans that have a rare disease or condition. An independent study conducted in 2015 estimated that if the orphan drug credit were repealed one-third fewer drugs addressing rare diseases would be developed in the future.

- **It makes it more costly for small businesses to hire people with disabilities, including older Americans with disabilities.** The Republican proposal would eliminate the small business tax credit for making a business more accessible to employees with disabilities, older workers, and customers with disabilities. For businesses with revenues of less than $1 million a year or less than 30 employees, a tax credit up to $5,000 is available for renovations and adaptations to make a business more disability accessible.

- **It reduces incentives for charitable giving to organizations that provide services to older Americans and individuals with disabilities.** Proposals that would indirectly reduce tax incentives for charitable giving could limit access to critical services and supports for older adults and people with disabilities. Many of those living at home receive services from community-based organizations, including transportation, adult day and nutrition programs, and information services. These organizations often rely on a combination of sources for funding, including grants from state and federal governments, fees for services, and—importantly—charitable contributions.

- **It may result in older Americans and individuals with disabilities paying more taxes on Social Security benefits.** If older Americans and individuals with disabilities can't deduct their medical expenses, many will likely need to draw down more resources from tax-deferred accounts. Distribution from this type of account is considered income. The more income reported, the more an individual's Social Security benefit could be taxed.

- **It could stifle investments in new facilities and homes, especially in underserved communities, that provide older Americans and people with disabilities a place to live.** The Republican proposal eliminates the New Markets Tax Credit Program, which provides incentives to businesses that decide to establish themselves in low-income and distressed communities. This credit has supported over 5,000 businesses nationwide, including hospitals and other health care facilities. The bill also eliminates municipal bonds and associated tax relief that makes it possible to build non-profit hospitals, low-income housing, and public education facilities that older adults, people with disabilities, and their families rely on.

- **It would squeeze state and local budgets, putting a strain on health benefits, social services, schools, and other programs that older adults and people with disabilities need to live with dignity.** The Republican proposal would eliminate the ability to deduct state and local income and sales taxes from federal taxable income. Removing the deduction would make it harder for states to raise revenues, further squeezing already tight budgets that help pay for Medicaid, education, transportation, and other local services important to older Americans, people with disabilities, and families.

- **Massive tax cuts threaten Medicaid and Medicare.** This tax scheme is part of a two-step plan: cut taxes for the wealthy now and pay for tax cuts later. The Republican tax plan increases the deficit by $1.5 trillion, and the Republican budget plan would cut approximately $1 trillion from Medicaid and $470 billion from Medicare. To realize these cuts, Medicaid per-capita caps or block grants could be instituted, requiring states to increase taxes or cut needed care, like nursing home services and home care. Proposals to cut benefits or shift higher health care costs to older adults and people with disabilities could also be used to pay for tax cuts, such as turning Medicare into a voucher program, raising the eligibility age from 65 to 67, or increasing cost-sharing.