

For taxable years which begin after 1966, present law provides that a taxpayer over age 65 is subject to the same rules applicable to a taxpayer under age 65, so far as the 3-percent and 1-percent floors are concerned. That is, medical expenses will be deductible only to the extent they exceed 3 percent of adjusted gross income, and medicines and drugs will be taken into account only to the extent they exceed 1 percent of adjusted gross income.

Your committee's amendment provides that the rules applicable for 1966 to taxpayers 65 years or older shall continue to apply, and not the rules added last year by the Social Security Amendments of 1965 (Public Law 89-97) which were to take effect in 1967. The amendment also restores for future years the existing right of any taxpayer to deduct medical expenses and medicines and drugs for his dependent mother or father if age 65 or over without regard to the 3 percent and 1 percent floors otherwise applicable. The new rules for 1967 were added last year at the insistence of the House which maintained that unlimited deductions were no longer necessary after enactment of the medicare program. The Senate disagreed, and deleted the limitations on deductions for those over age 65 in its version of the medicare bill. The House insisted upon its provision in the conference, and the Senate conferees receded.

In acting to remove the limitation, the committee reaffirms its unwillingness to increase the income taxes on the aged taxpayer by placing a limitation upon the deductibility of his medical expenses or those of his spouse. It believes that the limitation is unfair to the aged taxpayer who provides for his own medical protection and to the taxpayer, even though covered under medicare, who must meet the expenses not covered under the program. For example, the medicare beneficiary has to pay a \$40 deductible toward his hospital expenses, a \$50 deductible toward his medical expenses, and the uncovered 20 percent of medical expenses in excess of \$50. Furthermore, if he is hospitalized for more than 60 days, medicare requires that he pay \$10 daily from the 61st through 90th days. If he goes to an extended care facility under medicare, he must pay \$5 daily from the 21st through 100th day. And many elderly persons who are hospitalized will not receive medicare payments for their care because of a situation over which they have no control whatsoever; namely, the fact that their local hospital or hospitals may not be participating institutions under the program. In this case, these people have to come up with the cash themselves or call upon some other third-party resources.

Apart from the above reductions, limitations, and exclusions in medicare there are a number of other types of significant health expenses incurred by older citizens which must, in large part, be met out-of-pocket. Such expenses include necessary dental care, drugs, and long-term hospital or nursing home stays.

It has been estimated that medicare will cover 40 to 45 percent of the health care costs of those eligible for and who can secure its benefits. The remaining 55 to 60 percent of health costs has a serious negative impact upon those elderly struggling to maintain their independence on limited incomes. As we have in the past, it is appropriate that through sympathetic and proper tax treatment we continue to recognize the unusual and heavy health expenses incurred by our older population.