

Senate Tax Reform Talking Points for Patient Organizations

November 29, 2017

The Senate is preparing to vote on a tax reform measure as early as Thursday, November 30. In its current form, this bill will reduce access to meaningful and affordable health insurance for people with chronic conditions, negatively impact biomedical innovation, and reduce charitable giving.

Patient organizations are encouraged to engage their grassroots networks to oppose specific bill provisions that will harm patients. Organizations are also encouraged to reach out to the Senate to express concern about impacts on charitable giving.

Patient Access Issues

Individual Mandate is repealed.

The proposal would immediately repeal the Affordable Care Act requirement that individuals purchase health insurance. This provision will result in 13 million fewer insured individuals and an annual premium increase of 10 percent, according to the non-partisan Congressional Budget Office (CBO) analysis.

The Ask: The Senate should drop the mandate repeal. The mandate encourages healthier people to join the insurance market, lowering premiums for everyone. Until there is a mechanism to replace the mandate, it should be maintained.

Medical Expenses Tax Deduction is maintained in Senate bill.

Currently, individuals can deduct their medical expenses if their total expenses are greater than 10 percent of their income. Many people with chronic diseases and disabilities rely on this deduction to help them afford their care. The House bill repeals this deduction, but the Senate bill retains it. **As the Senate bill is being modified, it is still possible they will repeal it**, like the provision included in the House bill.

The Ask: Maintain the deduction for medical expenses to help people with chronic conditions afford their care.

The bill's increase to the deficit will trigger automatic spending cuts.

Congressional rules dictate that automatic cuts to spending must happen if new bills add to the national debt by a certain amount, which this bill is expected to do. This can be overridden by a vote, but it would require 60 Senators voting for it. One of the largest programs that will be impacted is Medicare. While the final cost of the tax bill is currently unknown, a recent CBO estimate states that Medicare will be cut by \$25 billion.

The Ask: Protect Medicare from massive cuts.

Innovation Issues

Orphan Drug Tax Credit is modified.

The proposal changes the Orphan Drug Tax Credit, which encourages drug manufacturers to produce medicines for smaller patient populations. By modifying the tax credit's methodology, the bill would effectively reduce the tax credit by half. The National Organization for Rare Disorders has formed a coalition to maintain the tax credit in its entirety. The NHC is supporting their efforts, and organizations that are interested in joining can contact Paul Melmeyer at pmelmeyer@rarediseases.org.

The Ask: Maintain the Orphan Drug Tax Credit to encourage ongoing research into rare diseases.

Charitable Giving

While patient organizations are encouraged to energize their grassroots on the above issues that will directly impact people with chronic conditions, organizations with government relations and social media capacities should consider contacting Senate staff to express concern with the impact the bill will have on the non-profit sector.

Doubling the Standard Deduction will likely discourage charitable giving; new incentives should be created to encourage giving.

While the tax bill maintains the charitable giving deduction, other provisions are likely to reduce overall charitable giving.

Currently, 30 percent of individuals itemize their tax returns. The bill proposes to double the standard deduction, which is expected to result in only 5 percent of individuals taking the standard deduction. While research has shown that many factors affect people choosing whether to give, the tax incentives often dictate *how much* individuals give. Fewer people itemizing, along with other changes such as reducing the estate tax, will mean that they give less money to charity.

The Ask: The Senate should include the universal charitable giving deduction, which would be allowed *in addition* to the standard deduction. This would create a fairer tax code that enables everyone to benefit from this tax incentive.