Recently Expired Individual Tax Provisions ("Tax Extenders"): In Brief

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Summary

Thirty-four temporary tax provisions expired at the end of 2016. Four of these provisions are individual income tax provisions. In the past, Congress has regularly acted to extend expired or expiring temporary tax provisions. Collectively, these temporary tax provisions are often referred to as "tax extenders." Most recently, in December 2015, Congress addressed tax extenders in the Protecting Americans from Tax Hikes Act of 2015 (PATH Act), enacted as Division Q of the Consolidated Appropriations Act, 2016 (P.L. 114-113). Three of the four individual income tax provisions that expired at the end of 2016 were extended in the PATH Act. The provisions that were extended in the PATH Act were extended for two years, retroactive for 2015 and through 2016. These include the:

- Tax Exclusion for Canceled Mortgage Debt;
- Mortgage Insurance Premium Deductibility; and
- Above-the-Line Deduction for Qualified Tuition and Related Expenses.

Brief background information on these provisions is provided in this report.

The other individual income tax provision that expired at the end of 2016, expired for the first time in that year, and thus has not been a part of previous tax extender legislation. This is the:

- Medical Expense Deduction Adjusted Gross Income (AGI) Floor of 7.5% for Individuals Age 65 and Over.

Options related to expired tax provisions in the 115th Congress include (1) extending all or some of the provisions that expired at the end of 2016 or (2) allowing expired provisions to remain expired. If temporary tax provisions that expired at the end of 2016 are extended, retroactive extensions may be considered so that tax incentives and provisions are available in 2017. In the past, retroactive extensions have been common for expired temporary tax provisions.

This report provides background information on individual income tax provisions that expired in 2016. For information on other tax provisions that expired at the end of 2016, see CRS Report R44677, *Tax Provisions that Expired in 2016 ("Tax Extenders")*, by (name redacted) .

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Introduction

In the past, Congress has regularly acted to extend expired or expiring temporary tax provisions.[1] Collectively, these temporary tax provisions are often referred to as "tax extenders." Of the 34 temporary tax provisions that expired at the end of 2016, four are individual income tax provisions.

Three of the four individual provisions that expired at the end of 2016 have been included in recent tax extenders packages. The above-the-line deduction for certain higher-education expenses, including qualified tuition and related expenses, was first added as a temporary provision in Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA, P.L. 107-16), but has regularly been extended since. The other two individual extender provisions are housing related. The provision allowing homeowners to deduct mortgage insurance premiums was first enacted in 2006 (effective for 2007). The provision allowing qualified canceled mortgage debt income associated with a primary residence to be excluded from income was first enacted in 2007. Both provisions were temporary when first enacted, but have been extended as part of the tax extenders in recent years.

The other individual provision that expired at the end of 2016 is one that allows taxpayers age 65 or over to deduct medical expenses in excess of 7.5% of adjusted gross income (AGI). For most taxpayers, an itemized deduction for unreimbursed medical expenses is allowed to the extent that such expenses exceed 10% of AGI. The threshold for the unreimbursed medical expense deduction was increased from 7.5% to 10%, effective in 2013 for taxpayers under age 65, as part of the Patient Protection and Affordable Care Act (P.L. 111-148). However, an exception from the increase for tax years 2013 through 2016 provided that, if either the taxpayer or his or her spouse was age 65 or older, the 7.5% threshold would apply.

In recent years, Congress has chosen to extend most, if not all, recently expired or expiring provisions as part of "tax extender" legislation. The most recent tax extender package, the Protecting Americans from Tax Hikes Act of 2015 (PATH Act), enacted as Division Q of the Consolidated Appropriations Act, 2016 (P.L. 114-113), broke with the typical practice of temporarily extending expiring provisions by making many expiring provisions permanent. Individual provisions that were made permanent include (1) the above-the-line deduction of up to $250 for teacher classroom expenses; (2) the deduction for state and local general sales taxes; and (3) parity for exclusion for employer-provided mass transit and parking benefits.

Information on costs associated with extending individual income tax expired provisions is provided in **Table 1**. The provisions that were extended in the PATH Act were extended for two years, retroactive for 2015 and through 2016. The estimated cost to make expired provisions permanent is as reported by the Congressional Budget Office (CBO). The CBO reports estimated deficit effects of extending expired and expiring tax provisions through the 10-year budget window (2018 – 2027).

[1] For an overview of tax extenders, see CRS Report R44677, *Tax Provisions that Expired in 2016 ("Tax Extenders")*, by (name redacted) .

Table 1. Estimated Cost of Extending Expired Individual Income Tax Provisions

Billions of Dollars

Provision	Cost of Extension in P.L. 114-113	Cost to Make Permanent
Tax Exclusion for Canceled Mortgage Debt	$5.1	$25.4
Mortgage Insurance Premium Deductibility	$2.3	$12.7
Above-the-Line Deduction for Qualified Tuition and Related Expenses	$0.6	$2.2
Medical Expense Deduction Adjusted Gross Income (AGI) Floor of 7.5% for Individuals Age 65 and Over	n.a.[a]	$23.1

Source: Congressional Budget Office, *An Update to the Budget and Economic Outlook, Detailed Revenue Projections,* June 2017; and Joint Committee on Taxation, *Estimated Budget Effects of Division Q of Amendment #2 to the Senate Amendment to H.R. 2029 (Rules Committee Print 114-40), the "Protecting Americans from Tax Hikes Act of 2015,"* 114th Cong., December 16, 2015, JCX-143-15.

Notes: The cost of permanent extension is as reported by CBO for the 2018 to 2027 budget window.

a. This provision expired at the end of 2016, but has not been part of past "tax extender" packages.

Tax Exclusion for Canceled Mortgage Debt[2]

Historically, when all or part of a taxpayer's mortgage debt has been forgiven, the amount canceled has been included in the taxpayer's gross income.[3] This income is typically referred to as canceled mortgage debt income. Canceled (or forgiven) mortgage debt is common with a "short sale." In a short sale, a homeowner agrees to sell their house and transfer the proceeds to the lender in exchange for the lender relieving the homeowner from repaying any debt in excess of the sale proceeds. For example, in a short sale, a homeowner with a $300,000 mortgage may be able to sell their house for only $250,000. The lender would receive the $250,000 from the home sale and forgive the remaining $50,000 in mortgage debt.[4] Lenders report the canceled debt to the Internal Revenue Service (IRS) using Form 1099-C. A copy of the 1099-C is also sent to the borrower, who in general must include the amount listed in his or her gross income in the year of discharge.

It may be helpful to explain why forgiven debt is viewed as income from an economic perspective in order to understand why it has historically been taxable. Income is a measure of the increase in one's purchasing power over a designated period of time. When an individual experiences a reduction in their debts, their purchasing power has increased (because they no longer have to make payments). Effectively, their disposable income has increased. From an economic standpoint, it is irrelevant whether a person's debt was reduced via a direct transfer of money to the borrower (e.g., wage income) that was then used to pay down the debt, or whether it was reduced because the lender forgave a portion of the outstanding balance. Both have the same effect, and thus both are subject to taxation.

[2] Section 108(a)(1)(E) of the Internal Revenue Code.

[3] Generally, any type of debt that has been canceled is to be included in a taxpayer's gross income. Several permanent exceptions to this general tax treatment of canceled debt exist. They are discussed in CRS Report RL34212, *Analysis of the Tax Exclusion for Canceled Mortgage Debt Income*, by (name redacted) and (name redacted) .

[4] A lender must agree to a short sale prior to a borrower selling their house, or the borrower will still be obligated to repay the balance remaining on the mortgage.

The Mortgage Forgiveness Debt Relief Act of 2007 (P.L. 110-142), signed into law on December 20, 2007, temporarily excluded qualified canceled mortgage debt income that is associated with a primary residence from taxation. Thus, the act allowed taxpayers who did not qualify for one of several existing exceptions to exclude canceled mortgage debt from gross income. The provision was originally effective for debt discharged before January 1, 2010. The Emergency Economic Stabilization Act of 2008 (Division A of P.L. 110-343) extended the exclusion of qualified mortgage debt for debt discharged before January 1, 2013. The American Taxpayer Relief Act of 2012 (P.L. 112-240) subsequently extended the exclusion through the end of 2013. The Tax Increase Prevention Act of 2014 (Division A of P.L. 113-295) extended the exclusion through the end of 2014. Most recently, the PATH Act extended the exclusion through the end of 2016. The act also allowed for debt discharged after 2016 to be excluded from income if the taxpayer had entered into a binding written agreement to sell his or her house before January 1, 2017.

The rationales for extending the exclusion are to minimize hardship for households in distress and lessen the risk that non-tax homeowner retention efforts are thwarted by tax policy. It may also be argued that extending the exclusion would continue to assist the recoveries of the housing market and overall economy. Opponents of the exclusion may argue that extending the provision would make debt forgiveness more attractive for homeowners, which could encourage homeowners to be less responsible about fulfilling debt obligations. The exclusion may also be viewed by some as unfair, as its benefits depend on whether or not a homeowner is able to negotiate a debt cancelation, the income tax bracket of the taxpayer, and whether or not the taxpayer retains ownership of the house following the debt cancellation.

The Joint Committee on Taxation (JCT) estimated the two-year extension included in the PATH Act would result in a 10-year revenue loss of $5.1 billion (see **Table 1**).

Mortgage Insurance Premium Deductibility[5]

Traditionally, homeowners have been able to deduct the interest paid on their mortgage, as well as any property taxes they pay as long as they itemize their tax deductions. Beginning in 2007, homeowners could also deduct qualifying mortgage insurance premiums as a result of the Tax Relief and Health Care Act of 2006 (P.L. 109-432). Specifically, homeowners could effectively treat qualifying mortgage insurance premiums as mortgage interest, thus making the premiums deductible if the homeowner itemized, and if the homeowner's adjusted gross income was below a certain threshold ($55,000 for single, and $110,000 for married filing jointly). Originally, the deduction was only to be available for 2007, but it was extended through 2010 by the Mortgage Forgiveness Debt Relief Act of 2007 (P.L. 110-142). The deduction was extended again through 2011 by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312), through the end of 2013 by the American Taxpayer Relief Act of 2012 (P.L. 112-240), and through the end of 2014 by the Tax Increase Prevention Act of 2014 (Division A of P.L. 113-295). Most recently, the PATH Act extended the deduction through the end of 2016.

A justification for allowing the deduction of mortgage insurance premiums is the promotion of homeownership and, relatedly, the recovery of the housing market following the Great Recession (the Great Recession began in December 2007 and lasted to June 2009). Homeownership is often argued to bestow certain benefits to society as a whole, such as higher property values, lower crime, and higher civic participation, among others. Homeownership may also promote a more even distribution of income and wealth, as well as establish greater individual financial security.

[5] Section 163(h)(3)(E) of the Internal Revenue Code.

Last, homeownership may have a positive effect on living conditions, which can lead to a healthier population.

With regard to the first justification, it is not clear that the deduction for mortgage insurance premiums has an effect on the homeownership rate. Economists have identified the high transaction costs associated with a home purchase—mostly resulting from the downpayment requirement, but also closing costs—as the primary barrier to homeownership.[6] The ability to deduct insurance premiums does not lower this barrier—most lenders will require mortgage insurance if the borrower's downpayment is less than 20% regardless of whether the premiums are deductible. The deduction may allow a buyer to borrow more, however, because they can deduct the higher associated premiums and therefore afford a higher housing payment.

Concerning the second justification, it is also not clear that the deduction for mortgage insurance premiums is still needed to assist in the recovery of the housing market. Based on the S&P Case-Shiller National Composite Index, home prices have increased consistently since the first quarter of 2012, which may suggest that the market as a whole is stronger than when the provision was enacted.

Economists have noted that owner-occupied housing is already heavily subsidized via tax and non-tax programs. To the degree that owner-occupied housing is over subsidized, extending the deduction for mortgage insurance premiums would lead to a greater misallocation of resources that are directed toward the housing industry.

The JCT estimated the two-year extension included in the PATH Act would result in a 10-year revenue loss of $2.3 billion (see **Table 1**).

Above-the-Line Deduction for Qualified Tuition and Related Expenses[7]

The PATH Act extended the above-the-line deduction for qualified tuition and related expenses through the 2016 tax year. This provision allows taxpayers to deduct up to $4,000 of qualified tuition and related expenses for postsecondary education (both undergraduate and graduate) from their gross income. Expenses that qualify for this deduction include tuition payments and any fees required for enrollment at an eligible education institution.[8] Other expenses, including room and board expenses, are generally not qualifying expenses for this deduction. The deduction is "above-the-line," that is, it is not restricted to itemizers.

Individuals who could be claimed as dependents, married persons filing separately, and nonresident aliens who do not elect to be treated as resident aliens do not qualify for the deduction, in part to avoid multiple claims on a single set of expenses.

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[6] See for example, Peter D. Linneman and Susan M. Wachter, "The Impacts of Borrowing Constraints," *Journal of the American Real Estate and Urban Economics Association*, vol. 17, no. 4 (Winter 1989), pp. 389-402; Donald R. Haurin, Patrick H. Hendershott, and Susan M. Wachter, "Borrowing Constraints and the Tenure Choice of Young Households," *Journal of Housing Research*, vol. 8, no. 2 (1997), pp. 137-154; and Mathew Chambers, Carlos Garriga, and Donald Schlagenhauf, "Accounting for Changes in the Homeownership Rate," *International Economic Review*, vol. 50, no. 3 (August 2009), pp. 677-726.

[7] Section 222 of the Internal Revenue Code.

[8] Payments made with borrowed funds are eligible for the deduction: the year of eligibility is determined by the date payment is made to the institution and not when the loan is repaid.

The deduction is reduced by any grants, scholarships, Pell Grants, employer-provided educational assistance, and veterans' educational assistance.[9]

The maximum deduction taxpayers can claim depends on their income level. Taxpayers can deduct up to

- $4,000 if their income is $65,000 or less ($130,000 or less if married filing jointly); or
- $2,000 if their income is between $65,000 and $80,000 ($130,000 and $160,000 if married filing jointly).

Taxpayers with income above $80,000 ($160,000 for married joint filers) are ineligible for the deduction. These income limits are not adjusted for inflation.

One criticism of education tax benefits is that the taxpayer is faced with a confusing choice of deductions and credits and tax-favored education savings plans, and that these benefits should be consolidated. Tax reform proposals have consolidated these benefits into a single education credit in some cases.[10]

Taxpayers may use this deduction instead of education tax credits for the same student. These credits include permanent tax credits: the Hope Credit and Lifetime Learning Credit. The Hope Credit has been expanded into the American Opportunity Tax Credit, a formerly temporary provision that was made permanent by the PATH Act. The American Opportunity Tax Credit (and the Hope Credit) are directed at undergraduate education and have a limited number of years of coverage (two for the Hope Credit and four for the American Opportunity Tax Credit).[11] The Lifetime Learning Credit (20% of up to $10,000) is not limited in years of coverage. These credits are generally more advantageous than the deduction, except for higher-income taxpayers, in part because the credits are phased out at lower levels of income than the deduction. For example, for single taxpayers, the Lifetime Learning Credit begins phasing out at $55,000 for 2015.

The deduction benefits taxpayers according to their marginal tax rate. Students usually have relatively low incomes, but they may be part of families in higher tax brackets. The maximum amount of deductible expenses limits the tax benefit's impact on individuals attending schools with comparatively high tuition and fees. Because the income limits are not adjusted for inflation, the deduction might be available to fewer taxpayers over time if extended in its current form.

The distribution of the deduction in **Table 2** indicates that some of the benefit is concentrated in the income range where the Lifetime Learning Credit has phased out, but also significant deductions are claimed at lower income levels. Because the Lifetime Learning Credit is

[9] Qualified expenses being deducted also must be reduced if paid with tax-free interest from Education Savings Bonds, tax-free distributions from Coverdell Education Savings Accounts, and tax-free earnings withdrawn from Qualified Tuition Plans (i.e., "529 Plans").

[10] See, for example, President George W. Bush's Advisory Panel's proposal, *Simple, Fair, and Pro-Growth: Proposals to Fix America's Tax System*, November 2005, which can be found at http://www.taxreformpanel.gov/; and the proposal by Chairman Camp of the Ways and Means Committee (The Tax Reform Act of 2014). An explanation of the education provision in this draft legislation can be found at the Joint Committee on Taxation's technical discussion of the individual provisions, JCX-12-14, February 26, 2014, https://www.jct.gov/publications.html?func=startdown&id=4554.

[11] See CRS Report R41967, *Higher Education Tax Benefits: Brief Overview and Budgetary Effects*, by (name reda cted) .

preferable to the deduction at lower income levels, it seems likely that confusion about the education benefits may have caused taxpayers not to choose the optimal education benefit.[12]

Table 2. Distribution by Income Class of the Qualified Tuition Deduction, 2014

Income Class ($ in the thousands)	Percentage Distribution of All Returns	Percentage Distribution of Dollars Deducted
Below $10	16.2	33.9
$10 to $20	15.9	8.9
$20 to $30	12.7	7.1
$30 to $40	9.8	4.9
$40 to $50	7.7	3.7
$50 to $75	13.1	14.2
$75 to $100	8.6	4.2
$100 to $200	11.8	22.9
$200 and over	4.1	0.0

Source: Based on Internal Revenue Service, Statistics of Income, 2014, Table 1.4, http://www.irs.gov/uac/SOI-Tax-Stats—Individual-Statistical-Tables-by-Size-of-Adjusted-Gross-Income.

The JCT estimated the two-year extension included in the PATH Act would result in a 10-year revenue loss of $0.6 billion (see **Table 1**).

Medical Expense Deduction Adjusted Gross Income (AGI) Floor of 7.5% for Individuals Age 65 and Over[13]

The Patient Protection and Affordable Care Act (P.L. 111-148, as amended) increased the floor for individuals claiming the itemized deduction for medical expenses from 7.5% to 10% of adjusted gross income (AGI).[14] The higher floor went into effect for tax filers under age 65 beginning for the 2013 tax year. Individuals 65 or older, however, were still able to claim the deduction under the lower, 7.5% floor for tax years 2013 through 2016. Under current law, the higher, 10% floor applies to all tax filers beginning with the 2017 tax year.

[12] The lack of optimal choices with education preferences is also discussed by GAO. See *Improved Tax Information Could Help Families Pay for College*, GAO-12-560, May 18, 2012, http://www.gao.gov/products/GAO-12-560; and *Multiple Higher Education Tax Incentives Create Opportunities for Taxpayers to Make Costly Mistakes*, GAO-08-717T, May 1, 2008, http://www.gao.gov/products/GAO-08-717T.

[13] Section 213(f) of the Internal Revenue Code.

[14] Taxpayers first were allowed to deduct health care expenses above a specific income threshold in 1942. The deduction was a provision of the Revenue Act of 1942 (P.L. 77-753). In adopting such a rule, Congress was trying to encourage improved standards of public health and ease the burden of high tax rates during World War II. Congress has modified the deduction a number of times, typically by either raising or lowering the AGI floor, or establishing or adjusting additional floors for various subcategories of medical spending within the deduction. For more information, see pp. 873-880 in CRS Committee Print CP10002, *Tax Expenditures: Compendium of Background Material on Individual Provisions — A Committee Print Prepared for the Senate Committee on the Budget, 2016*, by (name re dacted) et al.

Expenses reimbursed by an employer or insurance company are not eligible for deduction. If an individual receives reimbursements for medical expenses deducted in a previous tax year, the reimbursements must be included in taxable income in the year received. Any reimbursement received for medical expenses incurred in a previous year for which no deduction was used may be excluded from an individual's taxable income in the tax year received.

A complicated set of rules governs the expenses eligible for the deduction.[15] Generally speaking, these expenses include amounts paid by the taxpayer on behalf of himself or herself, his or her spouse, and eligible dependents for the following purposes: (1) health insurance premiums (including employee payments for employer-sponsored health plans, Medicare Part B premiums, and other self-paid premiums); (2) diagnosis, treatment, mitigation, or prevention of disease, or for the purpose of affecting any structure or function of the body, including dental care; (3) prescription drugs and insulin (but not over-the-counter medicines); (4) transportation primarily for and essential to medical care; and (5) lodging away from home primarily for and essential to medical care, up to $50 per night for each individual.[16]

As shown in **Table 3**, tax filers age 65 and over comprised the largest share, by age, of returns filed claiming the medical expenses deduction and deduction claim amounts, according to 2007 IRS data.[17] In 2007, approximately 4.1 million tax filers age 65 or older accounted for 38.9% of the 10.5 million returns claiming the medical expenses deduction. These 4.1 million tax fillers claimed $44.3 million in deductions, accounting for 58.1% of all medical expense deduction claims that year.

Table 3. Distribution of the Medical and Dental Expenses Deduction by Primary Taxpayer Age, 2007

Age	Percentage Distribution of Returns	Percentage Distribution of Deduction
Under 18	0.0	0.2
18 under 26	1.5	0.8
26 under 35	6.6	3.7
35 under 45	13.3	7.6
45 under 55	17.9	12.2
55 under 65	21.7	17.4
65 and over	38.9	58.1

Source: Based on Jeff Curry and Jonathan Dent, "Individual Income Tax Returns, by Age of Primary Taxpayer, Tax Years 1997 and 2007," *Statistics of Income Bulletin*, Spring 2011, at https://www.irs.gov/pub/irs-soi/11inincomeretsprbul.pdf and accompanying data at https://www.irs.gov/uac/soi-tax-stats-special-studies-on-individual-tax-return-data#age.

Although individuals are usually eligible for Medicare at age 65, they might still incur considerable out-of-pocket (OOP) health expenses related to their Medicare coverage or a

[15] Ibid.

[16] For more information, see IRS Publication 502, "Medical and Dental Expenses," at https://www.irs.gov/publications/p502/index.html.

[17] This is the most recent publicly available data for this series. The IRS does not typically release tax data distributed by age as part of its regular releases of its Statistics of Income data. The data in Table 4 was released as part of a special study in the *Statistics of Income Bulletin*.

supplemental insurance policy. These OOP expenses could be eligible for tax deduction. According to a 2017 study by The Commonwealth Fund (a private foundation supporting research on health care issues), 27% of all Medicare beneficiaries spent 20% or more of their income on health care in 2016, with the average amount of OOP expenses being $3,024.[18] Among all Medicare beneficiaries, OOP expenses were comprised of expenses associated with the cost of Medicare Part A or Part B (36%), long-term care (28%), prescription drugs (25%), and dental services (11%).[19]

Not all taxpayers age 65 or older spending a considerable share of their income on OOP health expenses will claim this deduction. Approximately one-third of all tax filers itemize deductions each year, with other taxpayers claiming the standard deduction. The likelihood of itemizing generally increases with income. However, the AGI floor for the medical expenses deduction reduces the likelihood that very high-income individuals would claim the deduction.[20] For all taxpayers, medical expenses alone might not make it worthwhile to itemize unless they can also claim other itemized deductions (e.g., home mortgage interest or state and local taxes). Allowing the 7.5% AGI threshold for taxpayers age 65 and up to expire, making the threshold 10% for all taxpayers, would mean fewer taxpayers age 65 and older would claim the deduction.

[18] Cathy Schoen, Karen Davis, and Amber Willink, *Medicare Beneficiaries' High Out-of-Pocket Costs: Cost Burdens by Income and Health Status*, The Commonwealth Fund, May 2017, at http://www.commonwealthfund.org/publications/issue-briefs/2017/may/medicare-out-of-pocket-cost-burdens. Other organizations have estimated the average OOP expenses of Medicare beneficiaries in recent years. For example, see Juliette Cubanski et al., *How Much Is Enough? Out-of-Pocket Spending Among Medicare Beneficiaries: A Chartbook*, The Kaiser Family Foundation, July 21, 2014, at http://www.kff.org/medicare/report/how-much-is-enough-out-of-pocket-spending-among-medicare-beneficiaries-a-chartbook/; and Claire Noel-Miller, *Medicare Beneficiaries' Out-of-Pocket Spending for Health Care*, October 2015, at http://www.aarp.org/content/dam/aarp/ppi/2015/medicare-beneficiaries-out-of-pocket-spending-for-health-care.pdf. Cubanski et al. (2014) estimated that Medicare beneficiaries paid $4,734 OOP on health spending in 2010, while Noel-Miller (2015) estimated that this figure was $5,357 in 2011.

[19] Schoen, Davis, and Willink (2017), p. 6. Medicare Part A insurance covers inpatient hospital services, post-hospital skilled nursing facility (SNF) services, hospice care, and some home health services. Medicare Part B covers physicians' services, outpatient hospital services, durable medical equipment, and other medical services. Generally, enrollment in Medicare Part B is voluntary. Together, Parts A and B of Medicare comprise "original Medicare," which covers benefits on a fee-for-service basis. Most persons aged 65 or older are automatically entitled to premium-free Part A because they or their spouse paid Medicare payroll taxes for at least 40 quarters (10 years) on earnings covered by either the Social Security or the Railroad Retirement systems. All persons entitled to Part A (and persons over the age of 65 who are not entitled to premium-free Part A) may enroll in Part B by paying a monthly premium. Beneficiaries have another option for coverage through private plans, called the Medicare Advantage (MA or Part C) program. When beneficiaries first become eligible for Medicare, they may choose either original Medicare or they may enroll in a private MA plan. See CRS Report R40425, *Medicare Primer*, coordinated by (name redacted) .

[20] A larger percentage of the tax returns from the medical expense deduction, generally, go to taxpayers in the lower-to-middle income brackets, relative to other common itemized deductions. Lower-income taxpayers have relatively low rates of health insurance coverage because they cannot afford health insurance coverage or coverage is not offered by their employers. As a result, many of these taxpayers are forced to pay out-of-pocket for the health care they and their immediate families receive. In addition, medical spending constitutes a larger fraction of household budgets among low-income taxpayers than it does among high-income taxpayers, making it easier for low-income taxpayers to exceed the AGI threshold. See Gravelle et al. (2016) for further discussion.

Appendix. Key Policy Staff

Table A-1 provides information on key policy staff available to answer questions with respect to specific provisions or policy areas.

Table A-1. Key Policy Staff

Topic and Provision(s)	Name/Title	Contact Information
Extenders (General)	Molly Sherlock Specialist in Public Finance	x7-....; #redacted#@crs.loc.gov
Housing Tax Policy	Mark Keightley Specialist in Economics	x7-....; #redacted#@crs.loc.gov
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Education Tax Policy		
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Medical Expense Deduction Adjusted Gross Income (AGI) Floor of 7.5% for Individuals Age 65 and Over		

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