

## INTERNAL REVENUE SERVICE

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The Honorable John M. Shimkus  
U.S. House of Representatives  
Washington, D.C. 20515

Attention: Michelle R. Yahng

Dear Mr. Shimkus:

Commissioner Rossotti asked me to respond to your inquiry dated November 21, 2000, on behalf of a constituent, [REDACTED] feels it is unfair to have to subtract 7.5 percent of adjusted gross income from the total of medical expenses in computing the deduction for those expenses

Personal expenses are generally not deductible. Section 262(a) provides that no deduction shall be allowed for personal, living, or family expenses, unless specifically allowed by other sections. Medical care expenses are personal expenses for which a deduction is allowed by § 213 of the Internal Revenue Code.

The limitation on the deduction for medical expenses has varied over the years. The Congress enacted the most recent change in the Tax Reform Act of 1986, which raised the floor from 5 percent of adjusted gross income to 7.5 percent. One of the principal purposes of that legislation was to reduce marginal tax rates by broadening the base of individual and corporate income taxes. This approach allowed a considerable reduction in tax rates and in the overall tax burden on individuals.

Consistent with that general approach, the Congress thought it appropriate to increase the floor under the itemized deduction for medical expenses. The Committee on Finance of the United States Senate gave the following specific reasons for raising the floor:

By utilizing a deduction floor of [7.5] percent of the taxpayer's adjusted gross income, the bill continues the benefit of deductibility where an individual incurs extraordinary medical expenses—for example, as a result of uninsured

surgery, severe chronic disease, or catastrophic illness. Thus, the bill retains deductibility where the expenses for a year are so great that they absorb a substantial portion of the taxpayer's income and hence substantially affect the taxpayer's ability to pay taxes. The committee also believes that the higher floor, by reducing the number of returns claiming the deduction, will alleviate complexity associated with the deduction, including substantiation and audit verification problems and numerous definitional issues.

I hope this information is helpful. Please call John T. Sapienza, Jr., Identification Number 50-6383, at (202) 622-4920, if you have any questions.

Sincerely,

Associate Chief Counsel  
(Income Tax & Accounting)

By: \_\_\_\_\_  
Robert A. Berkovsky  
Chief, Branch 2