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## **Tax Plan Could Threaten Retirement Income, *Warns The Senior Citizens League***

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(Washington, DC) – The tax bill being discussed in the U.S. House contains what may be only a fleeting benefit for middle class and older Americans, warns [The Senior Citizens League](#). “The changes under consideration may provide some modestly lower federal income taxes at first, but the benefits for many people would be short - lived,” says The Senior Citizens League’s Social Security and Medicare policy analyst, Mary Johnson. “Older middle - income Americans could shoulder a disproportionate share of taxes under these changes, and get pushed more quickly into higher tax brackets than they are today,” says The Senior Citizens League’s Social Security and Medicare policy analyst, Mary Johnson.

The bill would reduce the number of tax brackets from seven to just four — 12 percent, 25 percent, 35 percent — and would keep the highest bracket at 39.6 percent. It also increases the standard deduction from \$6,350 (individuals)/\$12,700 (married couples) to \$12,000 (individuals)/\$24,000 (married couples). While the standard deduction would increase, taxpayers on the other hand would lose personal exemptions — the ones for themselves, a spouse and/or dependents, which currently are \$4,050 per person. Exemptions would be replaced with a \$300 credit through 2022, and eliminated thereafter.

Since the tax brackets and the standard deduction wouldn’t grow as fast as in the past, more people will get pushed into higher tax brackets more quickly when their income rises. The legislation would use a more slowly growing measure of inflation, the Chained Consumer Price Index, to make adjustments.

The Tax Cuts and Jobs Act would eliminate many important tax deductions that older Americans rely on to reduce their taxable retirement income and preserve their savings. Those include deductions for medical expenses, which can be considerable for retirees. The bill also eliminates the deduction for state and local income taxes, casualty loss expenses, such as fire, wind damage and theft, and imposes new limits for the mortgage interest deduction. “The loss of these exemptions would leave older Americans paying taxes on more retirement income and higher tax bills,” Johnson says.

“The bill does nothing at all to reduce or eliminate the tax on Social Security benefits that burdens more than half of all retiree households,” Johnson notes. Yet the tax cuts for corporations and the wealthiest households in the Tax Cut and Jobs Act will add an estimated \$1.5 trillion to the national debt. Some conservative Members of Congress say they are planning a budget that would require mandatory spending cuts to reduce the debt next year.

The Senior Citizens League is encouraging Congress to take the opportunity now to strengthen Social Security by beefing up the amount of earnings subject to payroll taxes, a tax provision that has widespread public support. The Senior Citizens League is delivering a letter to Congress this week calling for three tax reforms that would strengthen Social Security and provide relief to millions of older Americans. Those reforms include:

- Eliminating the tax on Social Security benefits that currently applies to individuals with incomes as low as \$25,000 and married couples with incomes less than \$32,000.
- Increasing the amount of wages that is taxed for Social Security, which is currently limited to \$127,200. Higher - wage earners currently pay no Social Security taxes at all on income earned over that amount.
- Very modestly boosting the payroll tax paid by workers and matched by employers to employers.

“Americans face major retirement challenges,” Johnson says. The Senior Citizens League believes that tax reform is an opportunity to bring greater equity to the funding going into Social Security and to ensure that everyone pays fairly.

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*With 1.2 million supporters, The Senior Citizens League is one of the nation’s largest nonpartisan seniors groups. Its mission is to promote and assist members and supporters, to educate and alert senior citizens about their rights and freedoms as U.S. Citizens, and to protect and defend the benefits senior citizens have earned and paid for. The Senior Citizens League is a proud affiliate of The Retired Enlisted Association. Visit [www.SeniorsLeague.org](http://www.SeniorsLeague.org) for more information.*