

TAX CONSEQUENCES OF CONTRIBUTIONS TO NEEDY OLDER RELATIVES

HEARING
BEFORE THE
SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE
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TAX CONSEQUENCES OF CONTRIBUTIONS TO NEEDY OLDER RELATIVES

WEDNESDAY, JUNE 15, 1966

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 6202, New Senate Office Building, Senator George A. Smathers (chairman of the committee) presiding.

Present: Senators Smathers, Young, and Miller.

Also present: J. William Norman, staff director; and John Guy Miller, minority staff director.

Senator SMATHERS. The meeting will come to order.

Today we open hearings on "Tax Consequences of Contributions to Needy Older Relatives."

There is a general impression among the public that adults in their working years today shamefully ignore their obligations to assist older relatives who have hit rockbottom financially.

We of the Special Committee on Aging have encountered much evidence indicating to the contrary; that there are throughout the Nation many younger adults who quietly and without fanfare make significant financial contributions, sometimes at considerable personal sacrifice, to meet the economic needs of older family members. It is my personal belief that young and middle-aged adults of today love their elders just as much as those of any other time in history and, in fact, are doing as much to assist them.

Just since we announced these hearings, the Committee on Aging has received a number of communications regarding young and middle-aged adults, and even senior citizens, who are contributing to the support of older relatives.

A Florida teacher of mentally retarded children wrote¹ that she is divorced with one child, and that she is the sole support of her child and of her father and mother, both of whom are approximately 80 years of age; that her salary for 1965 was slightly less than \$6,000; that she has contributed thousands of dollars in recent years to her parents; that she has been unable to claim her father as a dependent since he receives an annuity amounting to slightly more than \$600 per annum; that she has even had trouble claiming her mother as a dependent, since the Internal Revenue Service has demanded strict proof of her expenditures in behalf of her mother.

A 74-year-old retired Florida widow wrote² that her retirement

¹ See appendix, p. 33.

² See appendix, p. 35.

income is so low that it must be supplemented by her only child, a son 44 years old, who is married and has four children. She wrote, and I quote:

He is very glad to help me all he can afford and I do have to accept his help. If he could deduct this expense from income tax, I would not feel so reluctant to take it.

An attorney in Iowa advised the committee³ of a client who is herself retired on a small Federal civil service annuity, who supports her aged mother, but who cannot claim her mother as a dependent because her mother receives retirement benefits of over \$600 a year.

A 79-year-old Florida widow wrote⁴ that her 48-year-old daughter is a secretary who has been contributing substantially to her support, but that she has been unsuccessful in claiming her mother as a dependent. She said that this committee's interest in this subject "hits our home like a streak of lightning."

A young professional man in Nebraska wrote⁵ that he is contributing over \$1,000 a year as supplemental support of his parent and the parents of his wife. He says he is 31 years old, has three children, and has an annual income of approximately \$13,000 a year. While he says he is happy, of course, to contribute to the support of his older relatives, he says that doing so places "binds on a young family man and his family."

A man in New York City, who seems to be a small business man, wrote⁶ the committee as follows:

I have been blessed with parents now in their nineties who I have been supporting for many, many years. I am sincerely grateful that I am able to do so. However, the normal deduction is nowhere near the amount of money I spend every year. I have taken the responsibility of paying their mortgage and interest as well as their gas, electricity, telephone, et cetera. I also pay for their food for the year as well as their doctor bills, medical payments, et cetera.

The picture presented by these letters is of younger individuals of modest means contributing willingly and joyfully to the support of needy older relatives, but being squeezed between their obligations to their elders, their obligations to their children, and their own needs. These and other letters from many States will be reproduced in the appendix of the transcript of these hearing.

That a substantial number of younger American taxpayers contribute to the support of elderly relatives is also shown by the results of the 1963 Survey of the Aged, conducted by the Social Security Administration. Statistics based upon that survey will be included in the appendix of the transcript of this hearing.⁷

These statistics show that at least 586,138 elderly U.S. individuals during 1962 received contributions from persons not in the recipients' homes. The Social Security Administration advises that it considers this estimate on the conservative side, since it does not reflect the number who received such contributions but who did not cooperate in the survey. Furthermore, it must be noted that the 586,138 total does not include elderly U.S. individuals who received contributions only from persons who were in their homes.

³ See appendix, p. 36.

⁴ See appendix, p. 36.

⁵ See appendix, p. 37.

⁶ See appendix, p. 37.

⁷ See appendix, pp. 65-66.

Another significant fact derived from these statistics is that those receiving contributions were predominantly in the low-income category. In reporting the results of this survey, the Social Security Administration divided the older persons represented in the survey results into three groups: those who were in the third with the highest income, those who were in the third with the lowest income, and those in the middle third.

The Social Security Administration found that a higher percentage of the older persons in the third with the lowest incomes received contributions from persons not in their homes than the percentages in the middle third and high third.

These statistics might well be considered as laboring the obvious, inasmuch as it is axiomatic that most younger family members are willing to sacrifice by contributing to older family members only when their elders are in need.

In these hearings, we shall be interested in any additional information which might be presented on the extent to which younger Americans presently contribute to their needy older relatives, the extent to which the recipients of such assistance are, in fact, needy, and depend upon this assistance to maintain a minimum standard of dignity and decency, the fairness or unfairness of present Federal tax statutes to those who contribute to needy older relatives and, if unfair, what tax changes are needed to bring about a fairer result.

Now, as our first witness this morning we are happy to have the Director of the Office of Tax Analysis of the Treasury Department, Mr. Gerard M. Brannon.

Mr. Brannon, if you will come up and bring with you whomever you would like, we will proceed to hear you.

STATEMENT OF GERARD M. BRANNON, DIRECTOR, OFFICE OF TAX ANALYSIS, U.S. TREASURY DEPARTMENT; ACCOMPANIED BY WILLIAM GIBB, OFFICE OF THE TAX LEGISLATIVE COUNSEL, TREASURY DEPARTMENT; AND GABRIEL RUDNEY, OFFICE OF TAX ANALYSIS, TREASURY DEPARTMENT

Mr. BRANNON. Senator, I am accompanied on the right by Mr. William Gibb from the Office of the Tax Legislative Counsel of the Treasury, and on the left by Mr. Gabriel Rudney, who is on the staff of the Office of Tax Analysis in the Treasury Department.

Senator SMATHERS. Fine.

Mr. BRANNON. We appreciate this opportunity to state the views of the Treasury Department on the tax consequences of contributions to needy, older relatives.

The ultimate objective of this hearing is presumably to improve the economic status of the aged. The release announcing the hearing goes on to specify a means to obtain the objective; namely, tax incentives to encourage the contributions by the young for the support of older relatives.

First, as to the objective, it is clear that this administration is concerned about improving the economic status of the aged. This is, for example, precisely what Medicare does. As Medicare will operate this

year, benefits will be provided to most of the existing aged; and these will in large measure be paid out of increased current payroll taxes on the working population.

The Social Security framework offers an eminently sound means of pursuing the objective of improving the welfare of the aged. Social Security, along with other Government retirement programs and the old-age assistance program, offers means of assuring benefits to all in the older generation.

What is at issue, then, in the present hearing is not the objective of helping the aged but whether modifications of the tax law offer an efficient means of achieving this objective.

Before turning to the matter of amendments to the present tax law, it might be useful to review the special provisions in present law providing tax benefits for the aged.

TAX BENEFITS TO THE AGED

It is estimated that the aged enjoy roughly \$2.3 billion of tax savings under present law due to the presence of special provisions. Some of the history of these provisions along with some description of their operation would be pertinent to this committee's current project.

The exemption of Railroad Retirement income was enacted in the 1920's when the income tax contained high personal exemptions and only applied to a small portion of the population. It made little practical difference at that time whether Railroad Retirement income was excluded. The exclusion for Railroad Retirement, incidentally, was not adopted by a tax committee of Congress but by the labor committees.

Social Security benefits were exempted from tax not by law but by revenue ruling on the theory that they were gifts—a theory inconsistent with the treatment of pension income and with the general view of OASDI as a contributory pension system. In the 1930's, it was still true, however, that the income tax applied only to the moderately high-income people; and it still did not make much practical difference whether Social Security payments were excluded. For both Social Security and Railroad Retirement, the usual tax rules would indicate that the recovery of the employee's own contribution should be tax free. For people retiring in 1966, this would at most result in about 89 percent of OASI benefits being included in income for tax purposes and 78 percent of Railroad Retirement benefits; that would be the result if they were treated like other kinds of pensions.

The double personal exemption for the aged was enacted in 1948. The committee report explains that for many old people retirement savings had been accumulated at pre-World War II price levels, and the result of the World War II inflation was to make these retirement pensions less adequate, in terms of current purchasing power, than had been expected. Taxation of retirement income, it was held, had to be modified to offset some of the loss of purchasing power from inflation.

In the early 1950's, there was increasing complaint about the apparent discrimination against other kinds of retirement income, compared to tax-free Social Security and Railroad Retirement benefits.

In 1954, Congress enacted the first retirement income credit. This provided something like the exemption of Social Security income for

other kinds of retirement income. It was structured as a credit in order that the benefit might be limited to the first bracket rate. It was designed so that if the particular retired individual did not get the maximum exclusion possible under Social Security, he could still exclude some of his other retirement income. The provision under Social Security for reducing benefits for certain wage income was carried over to reduce the retirement income credit in the same fashion. Since 1954, the retirement income credit has been modified to take into account the situation of a husband and a wife both having established Social Security benefits and to adapt to other changes in OASDI benefits.

In the mid-1950's, another tax benefit for the aged was adopted, namely, that older people in computing their medical deduction could use the full medical expenses and not be subject to the 3 per cent of income floor provision applicable to other taxpayers. The basis of this was rather cloudy. The floor provision deals with ordinary, routine kinds of medical expenses. Conceded that older people might run into situations of protracted illness with heavy hospital bills, it is hard to see why their situation with respect to ordinary medical expenses is any different from, say, the young parent who has to take his child to the pediatrician for ordinary checkups. In any case, the special medical provision was repealed in 1965 at the time of the adoption of the extended benefit provisions under medicare.

These are the present provisions in the tax law providing special treatment for the aged.

How effective are these provisions in improving the economic status of needy aged?

The most obvious feature of these provisions is that the tax benefits help the wealthy aged more than the poor aged.

The \$2.3 billion of tax relief goes to about 11 million of the estimated 18 million aged. Only one-fourth of this amount goes to people whose incomes (including Social Security and Railroad Retirement benefits) are less than \$3,000. Only about one-half goes to people whose incomes, that is, their adjusted gross income plus Social Security and Railroad Retirement benefits, are below \$5,000.

More importantly, very little tax relief is provided the aged with below-subsistence income. For the most part, income taxes do not apply at money income levels that meet accepted definitions of poverty. Consequently, 7 million of the aged would be nontaxable under normal income tax exemptions and deductions applicable to all taxpayers even if they included Social Security and Railroad Retirement benefits in gross income for tax purposes.

Further, the progressivity of the marginal income tax rates creates more tax relief per dollar of excluded income as the income of the individual rises. When the tax benefit is constructed as a deduction, exemption, or exclusion of income, the size of the benefit depends on the marginal tax rate.

The duplication of benefits between the double personal exemption and the Social Security exclusion and retirement income credit means that only the better-off aged can use both. With a double personal exemption, a single aged person would have no tax until his income exceeded \$1,600 a year. In 1963, about 4 million persons over 65 were living alone, and 62 percent of these had total money income below

\$1,500. In that year, there were about 7 million households where the head of household was 65 years old, and over 45 percent of these had total money income under \$3,000.

We think it is clear from these figures that the experience of using the tax law to help the aged produces an erratic and highly dubious system of benefits. You might keep in mind that given our existing budgetary needs the fact that \$2.3 billion of revenue is lost by these provisions relating to the aged means that the individual tax rates on the whole tax-paying population are about 5 percent higher than they would otherwise be.

TAX TREATMENT OF PERSONS SUPPORTING OLDER RELATIVES

Having described generally the major provisions in tax law relating to the aged, let me describe how the present law operates in the specific area covered by these hearings, the support of older relatives. The law now grants relief to single adult children who support aged parents. Any single individual who maintains a household for a relative who qualifies as a dependent is entitled to use the head of household rates which give about half the benefits of full income splitting allowed to a married couple. In the case of a dependent father or mother, the taxpayer may qualify as head of household even though the parent lives in a separate home. Any other dependent must live in the household of the taxpayer.

Senator SMATHERS. You have just said that the law now grants relief to single adults. Did you mean to imply that if they are married they are not able to take advantage of that?

Mr. BRANNON. The married taxpayer already has the split income option. The head of household provision is a tax treatment which is somewhat between the treatment of single people and of married people.

Senator SMATHERS. Run that by me again; I am not quite sure I understood it.

Mr. BRANNON. A married couple has the opportunity of computing the tax by cutting their income in half, computing the tax on each half and multiplying by two. That keeps some of the income out of the higher rate brackets.

Now, a single individual in some cases where he supports a dependent can be treated as what the tax law calls a head of household. He gets to compute his tax on a separate schedule of rates which puts him about halfway between the treatment for a single person and a married person. A single person who supports an aged parent can qualify for this head of household treatment—

Senator SMATHERS. Let me ask you this question in that connection.

Let's say we have a hypothetical case where we have Mr. "X" who is married and has four children, 35 years old, making \$10,000 a year. He is contributing to the support of his mother and father, say \$150 a month for both of them. Does he, Mr. "X," who is married, under those conditions receive the same tax benefits as does Mr. "Y" who is single, who has no family obviously, no other dependents except his mother and father? Which one of those gets the benefit of better treatment?

Mr. BRANNON. Let me describe it this way. The taxpayer who is married already has an important tax advantage in having the split income treatment and his tax is not greatly changed because he supports the older relative. The single taxpayer can get a part of this split income benefit because he supports a relative.

Senator SMATHERS. I am on the Finance Committee so we have to wrestle with this type of issue from time to time, and that is why I wanted to get it clear in my own mind.

What you are saying, then, is that the split income benefit the married taxpayer receives is actually because he is married. So, you are saying he thereby does not receive as much benefit from the present tax laws if, in addition to his own family, he contributes to the support of his mother and father as does the single man who, as you say, does not have the benefit of split-income provisions.

Mr. BRANNON. If I could slightly qualify what you said, Senator, it is that the married taxpayer gets less extra benefit for supporting the parent than does the single person. He will in the case that you described end up with a lower tax than the single person.

Senator SMATHERS. All right. That is the law. That is the way it is written.

Mr. BRANNON. Yes.

Senator SMATHERS. Now, I want to ask you the philosophy.

Do you think that philosophy is correct? Should there be an advantage given to a single person who supports his mother and father, and for that we commend him, of course, but should he receive, in effect, some more favorable treatment because of his support of his mother and father than that married young man who is supporting not only his father and mother but a wife and four children? What is the philosophy of it? This is what I am driving at.

Mr. BRANNON. The philosophy in the present law seems to be that there is a certain financial barrier, so to speak, involved in taking care of the first dependent; that is, when the taxpayer is by himself he is considered as having rather low expenses, but when he supports someone else he gets into the situation of maintaining a household, whether this is a wife or a child or an aged parent. That first extra commitment of being tied to and keeping a household, is what the law considers as making a difference to his financial commitments and his ability to pay.

In the case of the married taxpayer that you spoke of, if he has the wife and four children, he already has a house to bring the mother or father into. This probably won't involve the extra burden that establishing a house for a mother and father would involve. That would seem to be the idea behind this provision of present law which makes having the first dependent, either a wife or a child, or other dependent, a matter of considerable tax difference.

Senator SMATHERS. Let me ask you this question: You and your experts there, do you agree with that philosophy? Do you think that that is a sound philosophy or not?

Mr. BRANNON. We think it is sound compared to trying to evaluate each dependent situation differently. Supporting an aged parent might be an expensive situation; in other situations it might involve little expense, so that it would seem quite difficult to identify one kind

of dependent that involves much more cost than others. The present rule is reasonable, and it operates rather automatically.

Mr. NORMAN. Mr. Brannon, as I understand it, in neither of these cases would the taxpayer be able to claim the advantage of being head of the household if the parents had more than \$600 of gross income during the year.

Say the father had gross income of \$700 a year and the mother had gross income of \$700 a year. Then the single taxpayer could not claim that he is head of a household by virtue of his support of them, and even if he were a married taxpayer he could not claim them as dependents. Is that correct?

Mr. BRANNON. That is my understanding of the situation.

In the case of the parents, they have to be supported by the child to qualify as head of household treatment. They can be supported either in the house or in a separate household.

Mr. NORMAN. But the parents have to receive less than \$600 a year to be claimed as dependents?

Mr. BRANNON. Yes.

Mr. Norman. In other words, if both parents had over \$600 of gross income for the year, neither the single man nor the married man would receive any tax benefit from supporting them, would he?

Mr. BRANNON. That is right.

Senator SMATHERS. We want to get back into that point after you finish your statement because I think that is the real heart of the whole problem as to whether or not we should seek legislation which would allow further benefits to those who contribute to the support of their elderly relatives, we will say, even though those relatives would receive \$600 or more under Social Security, whether or not we should permit that.

Mr. BRANNON. I would like to resume describing how the present tax law treats persons who are supporting older relatives.

Senator SMATHERS. All right.

Mr. BRANNON. The law now grants relief to adult children who pay the medical expenses of an aged parent if the parent is a dependent of the taxpayer and if the medical expenses of the taxpayer exceed the statutory floor. A common deductible medical expense with an aged parent is nursing services whether provided in the home or in an institution.

Senator SMATHERS. Once again, is there any limitation on how much income the parent has received? If the parent received more than \$600 during that year, would the medical expense borne by the taxpayer then not be a deductible item?

Mr. BRANNON. In the case of the medical expenses, the child paying the expenses has to provide over half the support for the parents, but he can deduct the medical expenses even though the parent has in excess of \$600 of income.

Senator SMATHERS. If he qualifies as supporting the parent by paying over half the parent's support.

Mr. BRANNON. Yes.

Senator SMATHERS. All right.

Mr. BRANNON. Where an elderly dependent is in an institution because his condition is such that the availability of medical care is

the principal reason for his presence there, the entire cost of medical care and meals and lodging generally constitutes medical expenses.

Although the taxpayer is subject to a 3-percent floor with regard to his medical expenses (for himself, his spouse, and aged dependent beginning in 1967), the maximum dollar limitation on medical expenses will be removed for the tax year 1967 and thereafter.

As a result of the Social Security Amendments of 1965, the law beginning in 1967 will grant tax relief for adult children who pay for health insurance coverage of aged parents who qualify as dependents of the taxpayer. One-half of health insurance premiums up to \$150 per taxpayer is deductible without regard to the medical deduction floor.

Senator SMATHERS. Are we talking about health insurance as provided under the Social Security bill, or commercial health insurance?

Mr. BRANNON. The supplemental medical insurance.

Senator SMATHERS. The supplemental provided under Social Security.

Mr. BRANNON. Yes.

Senator SMATHERS. In other words, we are talking about roughly \$3 a month.

Mr. BRANNON. Plus the commercial. Both kinds.

Senator SMATHERS. All right.

Mr. BRANNON. The other half will be deductible as medical expenses but subject to the floor.

The provision generally known as the child care deduction permits tax relief for certain taxpayers who pay for the care of disabled dependents. The deduction applies to expenses for care of dependents who are physically or mentally incapable of caring for themselves, regardless of age. A deduction may be taken up to \$600 for one dependent or to \$900 for two or more dependents for the costs of hiring someone to care for the dependent either in the taxpayer's home or in the home of the person providing the care or in a nursing home.

This deduction is available to a working woman, at any income level, if she is single, widowed, divorced, or deserted; to a man at any income level if he is widowed, divorced, or legally separated from his wife (but not if he is single).

Senator SMATHERS. On that point, suppose the taxpayer is taking care of his father and his mother, but he happens to be single. Does that then disqualify him from this deduction?

Mr. BRANNON. Yes.

Basically, this section is the child care provision and the Congress thought it peculiar that a single person would be taking care of an adopted child or a nephew. It is incidental that an aged parent might be under this child care provision.

Senator SMATHERS. Senator Young and Senator Miller, please forgive me for reminiscing in this connection. When this provision was proposed many years ago, I recall a lady was running a newspaper in Florida, and every time I would see her she would talk about the fact that she could not run the newspaper and take care of her children without hiring someone to do it, and at that time there was no deduction given for care of children. So, I claimed that while she was the mother of the children, I was the father of this amendment.

We finally got it into the tax laws many years ago by virtue of this lady who became the president of the press association.

Now, I can see we have created another problem by allowing it to a married man but not to a taxpayer who happens to be single who is taking care of a dependent father and mother.

Mr. BRANNON. This is allowed in the case of a man who is divorced or legally separated.

Senator SMATHERS. Regarding the man who divorced his wife, he can get it, but this man who never got married in the first place, he can't get it.

Mr. BRANNON. That is right.

Senator SMATHERS. I don't understand it.

Mr. BRANNON. I should point out that many of the expenses that would be involved here might qualify as medical expenses in which case, however, they would be subject to the 3 percent of adjusted gross income floor. There is some overlap here.

A married couple can use this child-care deduction, in this case a disabled aged person deduction, only if the care is required because both the man and wife are employed, and even then it is available only where the combined income of the husband and wife is low.

To summarize, existing law provides tax relief in certain cases for adult children who support aged parents, who pay medical expenses of aged parents, who pay for health insurance coverage of aged parents, and who pay for the care of disabled dependents.

There are no data available as yet to indicate how effective these provisions are operating. We do not know whether these reliefs are being used extensively nor do we know the financial characteristics of the adult children involved.

Senator SMATHERS. When you say "adult children," what qualifies a person as an adult; 21?

Mr. BRANNON. I am referring to cases where simply the child is the taxpayer and he is taking a deduction for a dependent parent.

Senator MILLER. How long does it take you to obtain statistics that would be a reasonably good sample so that you would be able to say that you do know the financial characteristics of the adult children and the extensive use that is being made of these provisions?

Mr. BRANNON. I cannot answer that very definitely. Some of the provisions that I referred to will only operate in 1967 for the first time and some of them are quite specialized cases so that it would be difficult to measure to identify particular situations. I could not tell you precisely how much of a job would be involved in measuring this.

Senator MILLER. Some of these provisions have been in existence for some time. Do you have any statistics on those?

Mr. BRANNON. Not on how they apply in these particular situations of the aged relative. Our usual income tax statistics do not indicate whether or not a deduction was taken for an aged dependent.

Senator MILLER. We would know that we would have no basis, I suppose, for determining from a return whether they were over 65, although would there not be, if they were dependent, an extra \$600 exemption for that?

Mr. BRANNON. No; not for the dependent aged person.

Senator MILLER. In other words, you don't have the statistics available and you won't have in the present state of the filing of tax returns?

Mr. BRANNON. That is right.

EXPANDED TAX BENEFITS FOR CONTRIBUTIONS TO THE SUPPORT OF AGED RELATIVES

The Treasury Department believes undesirable the enactment of amendments to the present tax law to provide further benefits for taxpayers with respect to contributions made for aged relatives. This specialized tax relief is an inefficient way to help aged people; it is unfair in its benefits between the aged in wealthy families and the aged in poor families; and, finally, it sets up undesirable precedents and complications in our tax law.

First, as to the argument that these measures are inefficient. Any measure which provides tax relief for a taxpayer supporting an elderly parent will in the first instance simply reduce the tax on the younger taxpayer. It is entirely a matter of conjecture how much this will result in increasing the support payments to the aged relative.

The device of using the tax law to benefit taxpayers who contribute to the support of elderly relatives is also unfair in that it benefits only taxpayers whose income is high enough to incur tax liability, and then it provides a benefit which increases with the size of income due to the fact that deductions against higher tax rates are worth more than deductions against lower tax rates.

Senator SMATHERS. Let me interrupt to get the philosophy of what you are saying.

You have just said, "* * * these measures are inefficient. Any measure which provides tax relief for a taxpayer supporting an elderly parent will in the first instance reduce the tax on the younger taxpayer." What you are saying there does sound a bit bureaucratic.

What you are saying is that what we want to do is to collect more taxes from the younger man, so that the Government can take care of the younger man's parents the way the Government thinks they ought to be taken care of. Is that a fair statement of what you are saying?

Mr. BRANNON. I am saying that if you think that aged people do not have enough income, you will accomplish more in the way of improving their situation through things like Social Security which do increase taxes and provide benefits to aged persons than you will by tax deductions.

Senator SMATHERS. In other words, you say don't give to the son the incentive to take care of his parents; let the Government, let the Social Security, let some pension program take care of the parents; and the way we will provide for that pension program is to take the son's money and let the Government administer it in order to help the son's parent.

Mr. BRANNON. I am just saying, Senator, that, generally, from our experience with attempts to look at the effects of these tax provisions we find that there is very little evidence that most tax incentives greatly change the way people operate.

Senator SMATHERS. What offices of the Treasury Department are you fellows in? I should remember that.

Mr. BRANNON. Mr. Gibb is in the Office of the Tax Legislative Counsel, and Mr. Rudney and myself are in the Office of Tax Analysis.

Senator SMATHERS. Well, now, we have proven that tax incentives are very effective. Taxpayers have been given the 7 percent investment credit, so that we have such a boom going we don't know how

to stop it. That was an incentive and you are trying to say here that we should not give an incentive to a young man to encourage him to take care of his father and mother, because we don't think it would work in his case.

I would agree that most sons and daughters want to take care of their parents to the extent that they can whether they are given a tax incentive to do so, but if they are given more money in a left-handed fashion by not having the Government take it from them through taxes, don't you think they in turn will give their parents that money and that help?

So, my question to you is simply this; not so much as a member of the Treasury Department or a tax expert, but as a human being, don't you feel it is more proper for the son to take care of his father and mother than to have some Government agency do it?

Mr. BRANNON. I want to say that there are three aspects to your question. That is, I will try to show that one reason for not going the incentive route is that this works unfairly between taxpayers and that, secondly, later on I will argue that it involves a great deal of complications.

Senator SMATHERS. Those two arguments may be sound, but this first one here—

Mr. BRANNON. The only aspect I am addressing in this first point is this particular question. "How differently will people act in this situation if you give them an incentive?" I am saying in the first place we don't really know. The motivations for this kind of support are things on which we have to have a little evidence. It is quite different from business investment which is a much more mechanical matter.

A close analogy to this particular kind of incentive is the matter of charitable contributions. On this question of charitable contributions researchers have looked into the matter, do people contribute more to charity because the deduction is available?

Senator SMATHERS. I don't care what the economists conclude; the answer is "Yes."

Mr. BRANNON. The people who have looked at the statistics find rather little evidence of this. If you look at one set of statistics, which is the ratio of contributions to people's total income, this has changed very little over the whole period of the income tax. When income tax was low, people contributed about the same amount of the income after tax as they do when they have high incentive under the tax laws.

Senator SMATHERS. Every university in this country opposes any efforts, if we ever look as though we are making any, to limit the incentive to rich people to make contributions to universities. Why do they make them? Because they are tax deductible; there is an incentive for them to do it. This is the whole theory of how private universities are supported today.

Mr. BRANNON. I am just saying that, as far as the statistical evidence goes, it looks as though it would not make much difference whether we had the deduction or not.

Senator SMATHERS. I would have to say I could not agree with you. I have heard of nobody on the Senate Finance Committee or House Ways and Means Committee who does not believe in the effectiveness of tax incentives, that is, encouraging people to give by providing

them an incentive to give. When tax laws permit them to reduce their taxes by giving, then they give.

Mr. BRANNON. On the charitable contribution thing, if I might go into that a little further, there was quite a detailed study of this by a Ph. D. thesis at MIT about a year ago by Dr. Taussig. Looking at the data on a large number of taxpayers including contributions and other information about the taxpayers, it seemed that there was some effect of the contribution deduction among the higher income contributors but not much among lower income contributors where the effective tax rate was not very high. It is lower income people that are very much involved here.

What we are talking about here is largely contributions or payments for the support of relatives among medium and low-income families. Now, I am just saying that you will often find that tax incentive makes very little difference in the amount of the contribution.

Senator SMATHERS. Let me ask you this. Take Miss X who is supporting her mother and her father. She would like to give them more. Let's say she is only making \$400 a month and she pays some sort of a tax on it; it is a minimal tax, let's say, but it is a tax.

First, would she not be in a better position to contribute to them if the tax were not quite as heavy on her?

To put it another way, would she not be in a better position to contribute to their support if her taxes were less or if she were allowed more tax relief on the basis of her contribution? Would she not give more if she wanted to give any?

Mr. BRANNON. The first question is, Would she be in better position to give? Yes; she would, by definition.

From there on, I just say it is very hard to predict how she would change her contributions in relation to the amount of the tax saving. She may give a small portion of the tax saving in an added support payment or she might give it all but it is very hard to predict how these things would come out.

Senator SMATHERS. Do you think that there is in most sons and daughters a desire to see their parents well taken care of?

Mr. BRANNON. Yes.

Senator SMATHERS. Would you not think that if they had money and their parents were in need that the children would want to help them?

Mr. BRANNON. Whether or not there was a tax advantage.

Senator SMATHERS. All right. Senator Miller.

Senator MILLER. Let me say that I share the views of my colleague with respect to incentive for charitable giving, although I think I would be inclined to go along with the view that the lower income bracket people will probably have less of an incentive than the wealthy people, and I think that is borne out by your statement here that the benefits are not quite equitable among the various income groups.

Those who have high incomes would get a better tax break than those in the lower income bracket, and I think that is your point. Your point would be equally valid with respect to the deduction for taxes on a home or for deductions for interest on a mortgage or for deductions for medical expenses or for charitable contributions.

I am wondering if your point would be extended so far as to suggest that maybe we are proceeding along the wrong line as far as these page

2 deductions are concerned and that instead of a deduction we ought to go the credit approach.

Now, I can see where a credit approach would be more equitable in some cases as between the low-income bracket and high-income bracket people. Are you suggesting that we might refine this to permit a credit approach in the case of support for older people and stay with the deduction approach for the other page 2 deductions, or do you think we ought to go the credit approach with respect to taxes and medical expenses and contributions so that all taxpayers are treated alike on these items?

Mr. BRANNON. The credit approach has the advantage with respect to one of the aspects of this tax incentive idea; that is, it does operate more uniformly between taxpayers at different income levels. In the other areas, it is uncertain that the credit approach would have much different effects than the deduction approach.

The essential complications that I will refer to shortly are the same in both the deduction and credit.

Senator MILLER. As I understand it, one of the reasons we allow the deduction of tax as an interest to the homeowner is to serve as an incentive; but if that incentive is being outweighed by the lack of equity among taxpayers, are you considering that we change that to a credit approach?

Mr. BRANNON. There are a number of parts of the individual itemized deductions where a deduction does make more sense than a credit in that the deduction measures a certain loss of income. It is equivalent to a loss of income such as in the case of casualty losses. This is effectively an offset against its income earned during the year. Also it would complicate the tax return to have a set of both deductions and credits, some on the credit basis and some on the deduction basis.

Senator MILLER. We already have credits.

Mr. BRANNON. The credits don't make much difference on normal individual return; there are other exceptional items.

Senator MILLER. Dividend credit.

Mr. BRANNON. The dividend credit was repealed. The retirement income credit is one of the most complicated provisions on the tax return; it is the source of a great deal of trouble in that sense.

Really, the fact that a credit can't be integrated into the standard deduction means you cannot have that simplification.

Senator MILLER. I would be the first to agree with you that it was a complicated thing but once it is computed it is just a simple matter of a deduction on the front of the return against the tax, and I can't see why we would be concerned about complexity if instead of taking a deduction for taxes on a home we allowed a credit instead against the tax. You are going to have to make a subtraction on one or the other.

Mr. BRANNON. In most cases, the individual can lump these items with his other deductions and use the 10 percent standard deduction. This lumping gets more complicated if some of the items are credits and some are deductions.

Senator MILLER. Well, at the worst, as I see it, if we were to use a credit approach instead of a deduction approach it would just entail one additional computation on the front of the return to deduct it against the tax.

Mr. BRANNON. You see, the standard deduction is the source of a great deal of simplification. For example, it permits many taxpayers to simply determine the tax by looking on a table.

Senator MILLER. I understand.

Mr. BRANNON. And not doing any subtraction or addition at all.

Senator MILLER. I understand, but we are trying to seek equity among taxpayers here. Maybe that extra step on the front of the tax return is worthwhile.

Mr. BRANNON. It is possible.

Senator MILLER. Let's forget the complexity here and stop worrying about the complexity of computing the retirement income credit, and let's just talk about a straight deduction for these other items against the tax as distinguished against the income.

Are you suggesting that Congress ought to consider the credit approach to these items of taxes, medical expenses and contributions, as well as for the items we are talking about now?

Mr. BRANNON. No, sir, not in the sense that it should change all of these to a credit approach.

Let me take an example such as the interest deduction. If a man at a high income borrows \$1,000 and incurs an interest cost of, let's say, \$40 on this loan and at the same time uses the \$1,000 to buy a security on which he obtains an 8 percent return, the only fair treatment of this whole transaction is to subtract the interest cost from the income that he earned on the security.

So, it turns out that there are some of the itemized deduction items which should be on the deduction basis.

Senator MILLER. I can follow that but what about contributions?

Mr. BRANNON. On others, you can make a case for putting them under the credit basis. Many other aspects of the problem would need to be considered.

Senator MILLER. What about the credit approach for expenses to benefit elderly relatives?

Mr. BRANNON. If you adopted that approach, it would at least deal with this problem of providing different benefits for taxpayers at different income levels. It does not follow that one would necessarily want to have a tax incentive for this sort of contribution at all.

Senator MILLER. It does not follow what?

Mr. BRANNON. I am not saying we would definitely want a tax credit for this device; I am saying if you wanted to have some tax incentive for these contributions to elderly relatives, a credit would provide more equal treatment between high and low income taxpayers.

Senator MILLER. Why would you not favor that, then?

Mr. BRANNON. For the other reasons that I would like to develop in the statement here, sir, if I could go ahead with that.

Senator SMATHERS. All right. You go ahead.

Mr. BRANNON. Proposals which make it more convenient to provide for the support of elderly relatives out of investment income are particularly discriminatory in having application only to taxpayers who are wealthy enough to transfer assets to this purpose.

In the last year the Department of Health, Education, and Welfare has reported "of the aged persons who lived in homes of relatives and who had less than \$1,000 of income of their own in 1958, about

one-third were members of families whose total income was below \$3,000; half were in families with less than \$5,000."

Finally, special tax relief for support of aged relatives is a bad measure within the tax law, both as a precedent and as a source of complication. We can certainly imagine situations where an aged relative deserves some additional support from the younger generation. Age, however, is not the only characteristic that strikes one's sympathy. Many parents have expensive support burdens in connection with putting their children through college or in handling the special costs associated with handicapped children.

Extending special benefits for a wide variety of dependents would greatly complicate the tax law; and to the extent this reduced the revenue yield, it would force us to adopt higher rates, canceling much of the intended benefits.

The committee should keep in mind that there is considerable fuzziness with respect to financial arrangements between aged dependents and adult children. Among many families with an aged dependent, the dependent owns the home which is often free of mortgage. About one-third of the aged who live with their children own their own homes.

Under these circumstances, there is a sort of quid pro quo arrangement by which the parent provides the shelter while the adult children provide food and clothing to the parent. The rent concession to the adult child, say, \$150 a month, could easily cover the food and clothing costs of an elderly dependent. There is no justifiable reason for giving the adult child in this case credit for supporting an aged relative where, in fact, there is virtually a bargain or an accommodation that has been struck.

In any particular situation, the child may be providing more in the way of support for the parent than he receives in return, but as you can readily understand separating out the balance of these transactions would be often an impossible complication in developing the tax return.

Instead of the parent providing the housing, it may often be that the parent provides considerable services. An aged parent, who is more often a widow than a widower, frequently takes charge of household responsibilities including cooking and child care. In all of these cases simply recognizing what part of the payments going from the children to the parents represent gratuitous support is an extremely complicated task.

Finally, the committee might well consider whether the approach of increasing the dependence of aged people on younger people is the right way to deal with the problem of the aged. It has been the general characteristic of our Social Security system that a larger proportion of our aged couples has been able to choose to live an independent life, and it is also a result of the Social Security approach that an aged person is assured at least a minimum retirement income independent of the particular income fortunes of his children. Independence of the aged has become a widely approved value in our society.

Of course, this sociological question is outside the realm of our expertise, but we are aware that financial independence is often the major rationale for public income maintenance and support service

programs for the aged. For example, the recent Kerr-Mills amendments provide evidence that it is the congressional intent to make the aged independent of their children for support.

The new title XIX of the Social Security Act (added by the Social Security Amendments of 1965) which establishes a medical assistance program (improving and expanding the provisions for medical care of the needy under the Kerr-Mills Act) provides that in determining qualification for such medical assistance the financial responsibility of an individual for an applicant for assistance may be taken into account only if the applicant is the individual's spouse or child who is under age 21 or blind or disabled.

In conclusion, it is important that your committee consider the effectiveness of existing tax provisions which are directed at improving the economic status of needy aged, including those providing direct aid to the aged and those providing relief to adult children who support aged parents.

Before urging new tax provisions, it should be recognized that a tax relief approach is erratic in its operation, often providing no benefit to those most in need. It is uncertain in its effect and the process of providing additional special rules in the tax law to achieve non-revenue objectives undercuts the simplicity and integrity of the tax system.

President Johnson has expressed great concern about cost efficiency in Government programs. In his 1966 Economic Report, the President stated:

Benefits that the Government extends through direct expenditures are periodically reviewed and often altered in the budget-appropriation process, but too little attention is given to reviewing particular tax benefits. These benefits, like all other activities of Government, must stand up to the tests of efficiency and fairness.

It is therefore appropriate that such tests be applied to proposed as well as existing tax reliefs for the aged and their children.

I have discussed the subject matter of these hearings in general terms. If the committee wishes, I shall be glad to answer questions about any specific proposals.

Senator SMATHERS. Thank you, Mr. Brannon, for a concise and clear statement. I don't know that I agree with it all but we appreciate the benefit of your views.

Mr. Norman, the counsel, wants to ask you some questions.

Mr. NORMAN. Mr. Brannon, it is by understanding that in discussing charitable contributions you came to the conclusion that the deduction for charitable contributions is effective as an incentive, at least, to wealthier people to make charitable contribution. Is that correct?

Mr. BRANNON. What I wanted to describe there was the results of one particular quite detailed study of the results in the case of a large number of taxpayers in this thesis at MIT.

The conclusion reached was that the deduction in upper incomes has some effect on the level of contributions but it tends to increase contributions by a far less amount than the tax saving from the contribution deduction. As I recall, the ratio was in the neighborhood of something like a 10th of the revenue loss.

This is what I mean by dubious effects. It is quite possible that a tax concession even in support of relatives will have some effect on

the contribution but you ought to think seriously about it if a typical result is that with a \$200 tax saving there is an extra \$20 given to the parents.

Mr. NORMAN. With further reference to that particular portion of your testimony, you made the point that in the opinion of the Treasury, giving tax incentives for contributions to the elderly would not be an efficient way of obtaining assistance for the elderly.

Mr. BRANNON. Yes.

Mr. NORMAN. Now, here is my question: Say a person who is in the 50-percent bracket—that is a rather wealthy person—

Mr. BRANNON. Yes.

Mr. NORMAN. Even that person when he contributes to the older relative and gets a deduction, the older relative is getting twice as much money as the Federal Government is losing in revenue; is that not correct?

Mr. BRANNON. It is correct if you start out with describing what the older relative is getting already. It seems to us that when you look at this as a conscious effort to provide incentives, what you should ask is how much more will the older person be getting after you introduce the special tax deduction than he gets now? This is a more difficult question to answer.

Mr. NORMAN. Well, with further reference to the point of efficiency, if the Government instead of giving this deduction should refuse to give the deduction and should instead take the money in taxes and give it to the older person, the older person would only get half as much as he would have received if the Government had given a deduction and the younger person had contributed to the older person: is that not correct?

Mr. BRANNON. No.

Mr. NORMAN. That is assuming 100 percent efficiency in extracting that dollar from the taxpayer and giving it back to the older person; in the example I gave there is no loss for administration, which we know would not be the case. Actually, the Government may take away the dollar from the younger taxpayer and give it back to his needy older relative and there would probably be a loss of 10 or 20 percent. So, the needy older relative would only get back 80 percent of the dollar or 90 percent of the dollar which the younger taxpayer had contributed.

Mr. BRANNON. The overhead costs in Social Security are much lower than that.

It seems to us the relevant comparison here is to talk about revenue reductions from an allowance of a special deduction to the taxpayers and how much this changes what they would have done anyway. The fact that someone is now giving a certain amount of support without regard to deductibility would give you reason to say that this will probably go ahead no matter what you do elsewhere in the way of improving social security benefits or other things.

Mr. NORMAN. Is this tantamount to saying no matter how unfair you are to the younger person in his taxes he will contribute to his older relatives anyhow, so why worry about being fair to the younger person with regard to his taxes?

Mr. BRANNON. We try quite hard in our tax system to be fair to people.

Mr. NORMAN. I am sure you do, but is that tantamount to making a statement to the effect that no matter how unfair Federal taxes are to the younger person who does contribute to his older relatives, he will do it anyhow, so why worry about it?

Mr. BRANNON. Could I say that it is tantamount to saying if you continue to treat the younger taxpayer the way you do today, he will do what he does today.

Senator SMATHERS. I don't understand your theory here.

You don't believe tax reduction encourages people to spend more money? In other words, what you are saying is they are going to spend the money anyway.

Mr. BRANNON. I want to say that it is quite uncertain as to what is the relationship between the amount of increased expenditure on this item and the tax saving.

Senator SMATHERS. Let me just start off without this item.

Generally, do you believe that when we reduced taxes in 1964 that it encouraged spending or didn't it encourage spending?

Mr. BRANNON. Yes; it did.

Senator SMATHERS. It did.

Isn't it reasonable to assume that when you allow people to keep more money, they will spend it or they will give it away at a greater rate than they would when taxes are higher and they have less money?

Mr. BRANNON. Yes; it is.

Senator SMATHERS. All right.

Therefore, isn't it reasonable to conclude that a young man who wants to help his parents would come nearer to helping his needy parents to the fullest extent of their need if he had more money? Isn't that also sound?

See what you are doing. You go along and admit what we all know is axiomatic; if they have it, they will give it. All of a sudden, you get to this position about whether or not taxpayers will help their parents. Then you seem to say that they are going to help them, anyway. Well, they are not going to help them if they don't have the money.

Mr. BRANNON. It seems to me, Senator, that the situation is likely to be something like this way: If he helps them now by giving them 10 percent of his income and he gets a tax deduction of \$100 because of this support, he might very well help them to the extent of 10 percent of this tax saving.

I would point out to you then that for reducing revenue by giving up \$100 of Government money you might have improved the support for the aged, as was your objective, by about \$10. This taxpayer will also consider that he has to help his children with some of his tax saving.

Senator SMATHERS. Pay the taxes and let the Government do it; don't get the sons and daughters to do it; let the Government do it. Isn't that, in essence, what you are saying?

Mr. BRANNON. I am saying that people do this anyway and the Government is not going to have much effect on these individual decisions to support or not to support by tax concessions.

Senator SMATHERS. Senator Miller.

Senator MILLER. Are you by any chance suggesting that because of the expression of congressional intent with respect to the Social Secu-

rity System that we ought to do away with these special tax deductions that are now on the law books as far as support for the elderly are concerned and let the Social Security System be enhanced sufficiently to make up the difference?

Mr. BRANNON. No; I was not suggesting a change in that.

I did want to indicate to you some of the kind of things that happen through attempts to solve what are really nonrevenue problems through special tax deductions.

Senator MILLER. In so indicating, you really open up the inequities among taxpayers and present state of deductions; you have indicated that probably even without any deductions a certain amount of support is going to be rendered; there is not too much incentive there. If that is true, then why would it not follow that it would be better to do away with all of the deductions and let the Social Security System make up the difference?

I am not saying I disagree with the points that you have made here near the end of your statement, but those points, it seems to me, would be equally valid with respect to the present deductions.

Mr. BRANNON. This is a possibility. There would be other considerations that would have to be taken into account if I were talking about changing existing provisions. I am in no position here to talk about the Treasury position on these other kinds of changes but one ought to be aware of this whole set of problems that are involved in special deductions.

Senator MILLER. You would recognize that your arguments here are equally valid with respect to other deductions that are now already a matter of law, would you not?

Mr. BRANNON. They are relevant to other deductions; perhaps not "equally valid." It should be recognized that this business of using the tax system has a lot of restraints.

Senator MILLER. Then let's just probe in a step further.

If we should go the Social Security route altogether to the exclusion of the other, then aren't we getting into an area of allowing either a deduction or a credit for the Social Security tax as paid by these younger people?

Mr. BRANNON. Since the Social Security tax is quite general, if you allowed the deduction you pretty much have to increase the rates to get a given amount of Federal revenue so that you are not going to change things very much there.

Senator MILLER. But if you had a credit approach, the credit approach would be limited by virtue of the top ceiling on the income tax under the Social Security system so you would have a safety valve there as among taxpayers in the medium bracket, and the lower bracket would be treated equitably.

Naturally, they would be treated equitably on a credit system, and even on a deduction system there would be a limit on the deduction that the high bracket taxpayers could get anyhow so why would this not be a feasible approach if you are going to just the Social Security route for the entire answer to the problem of what we are discussing here?

Mr. BRANNON. What I wanted to call to your attention was that given a Federal debt ceiling we need a certain amount of revenue.

Now, if we permit an additional deduction for Social Security taxes which come to something like \$10 billion, now this simply means we have to raise income tax rates to get more revenue so that, basically, this does not change things very much.

Senator MILLER. Well, I noticed you had not said anything about the budget impact of what we have been discussing here.

Is that not another factor that should be taken into account here?

Mr. BRANNON. Yes, it is. One should also give some consideration to the fact that the payment of Social Security taxes is part of a whole system in which the individual eventually becomes eligible for considerable Social Security benefits when he becomes older. I don't think it is possible for us to go into all of the arguments surrounding the deductibility of the Social Security tax in a short discussion.

Senator MILLER. We would be here for a long time if we heard all the arguments, Mr. Brannon, but I think it is quite obvious that a good chunk of the Social Security taxes that are now being paid in by these younger taxpayers are going to be used to pay for the benefits of the older and retired people, some of whom never paid any Social Security tax for the benefits they are receiving.

So, to that extent, it seems to me that these younger taxpayers might well be allowed a deduction or a credit.

Mr. BRANNON. A certain transfer occurs here. When these younger people become older, current taxes will be paid into the system and those will be available for the benefits of people who are now young and then old.

Senator MILLER. That would be a long time; it could be 20 years.

Mr. BRANNON. Any retirement system covers a long time.

Senator MILLER. Twenty or twenty-five years before you get into a balance; and in the meantime we might do equity to these young people by giving them some kind of a deduction for the amount of the tax they are paying which is never going to be used for their benefit and is going to be used for the payment of Social Security benefits.

Mr. BRANNON. Of course, I should point out that half of the contribution is the employer contribution which is not taxed to the individual. This is, in effect, deducted although eventually it provides benefits for individuals.

Senator MILLER. Then we might have a difference of treatment between the employer and the employee on whether you are going to have a deduction or a credit. As I see it, we are talking about some way of doing equity among taxpayers and especially those taxpayers who are making contributions to help needy relatives and they are already doing it in their Social Security payments in part.

The argument you have made here seems to me to be quite applicable to the present scheme of deductions that we already have. I think that, to be consistent, the Treasury, if they are going to come out and recommend against some additional deduction they may devise here for the reasons you set forth, ought to come over and recommend an abolition of the deductions in the present scheme of affairs because your argument there is applicable to that.

Mr. BRANNON. You might recall that the Treasury did in 1963 recommend some modification of the deduction system through the 5-percent floor proposal.

Senator SMATHERS. Do you support the Russell Long theory?

Mr. BRANNON. The Treasury has indicated that this idea is worth exploring.

Senator SMATHERS. You support it to that extent, to explore it. All right.

Mr. NORMAN. Mr. Brannon, to what extent do you believe it was the intent of Congress and others who participated in the 16th amendment that Federal income taxes levied under that amendment should be based upon the principle of ability to pay?

Mr. BRANNON. Are you asking about the history of the adoption of the 16th amendment?

Mr. NORMAN. Not so much the history but the present philosophical basis. Isn't the present philosophical basis ability to pay?

Mr. BRANNON. It seems to me yes, if one looks at the preponderance of discussions of income tax philosophy and the way the tax system operates.

Mr. NORMAN. Yes, sir. Take as an example two young single men, both of whom have incomes of \$10,000 a year. One of them contributes \$200 a month or a total of \$2,400 a year to his elderly parents but cannot claim exemption for them on his return since each of them has an income of over \$600 a year. The other one also has parents over 65 but refuses to contribute to their support and spends his entire \$10,000 annual income on himself.

Under present law, the two young men will pay the same Federal income tax. Do you believe this is equitable and in accordance with the principle of ability to pay?

Mr. BRANNON. Let me say that the ability-to-pay principle cannot be our entire basis for deciding income tax questions; that is, in a viable tax system, one has to have certain rules of uniformity and simplicity which indicates that you don't follow out every trail of slight differences in ability to pay.

Now, with respect to the matter of dependency exemption, we have the general rule that it is not fair to have several people in effect taking the same personal exemption. It is not fair for the taxpayer to use it on his own return and then let somebody else use \$600 because he is also supporting him. This leads to a general rule that most people can follow without getting into a great detail that once a person has \$600 of his own he has to use his own deduction.

Mr. NORMAN. Mr. Brannon, has the Treasury Department ever taken a position on increasing from \$600 to \$1,200 the income test for claiming relatives over 65 as dependents?

Mr. BRANNON. The Treasury would be opposed to that rule. This would mean that in some cases, say, an elderly person had almost \$1,200 of income; he would treat this income as exempt because it was wiped out by his own double personal exemption. Then to say that a child could also take a \$600 deduction with respect to this person means that this person is giving rise to \$1,800 of exemptions.

Mr. NORMAN. That could only happen if the parent's income were almost \$1,200 a year?

Mr. BRANNON. \$1,199. As it gets close to \$1,200, it is practically three exemptions. This is the point I am making.

The other difficulty in this is that as many of these tax provisions do, it helps predominantly people who are moderately well off. In this

situation of an aged person getting close to \$1,200, let's say \$1,100, this would only be of benefit if the child was contributing more than \$1,100 so that you have something more than \$2,200 being spent on the support of this elderly person. Compared to most elderly people, this is a pretty good situation.

Mr. NORMAN. In that case, would not the child be paying out to his elderly parent almost twice the tax exemption he would be getting?

Mr. BRANNON. That is right.

Mr. NORMAN. Almost twice the exemption he would be getting.

Mr. BRANNON. Yes.

Mr. NORMAN. In other words, he would have to pay out over \$1,100 for a \$600 exemption.

Mr. BRANNON. Yes, but, as I say, among wealthy families this may be a common thing now.

Mr. NORMAN. That would seem to me to be a very efficient way to help the older person in that the taxpayer would only get an exemption of approximately half of his contribution, and then, depending on his tax bracket, he would actually get a tax benefit of only a small percentage of that \$600.

Mr. BRANNON. I suggested earlier to talk about efficiency one should concentrate on the revenue loss compared to changes in what people do.

Senator SMATHERS. What do you estimate would be the revenue loss if this suggestion were carried out?

Mr. BRANNON. We think it would be in the neighborhood of \$50 million.

Mr. NORMAN. Is there any reason why the income test for claiming a dependent should not be the same as the requirement for filing a return? In other words, under the old law before 1948 a taxpayer with more income than the amount of the one exemption to which he was entitled was required to file a return. Now, when they gave two exemptions, why should they not also have increased the amount of the income test for claiming a dependent to equal the amount at which the person over 65 would have to file his own income tax return?

Mr. BRANNON. Because, as I indicated, this would be getting into an area where something more than \$1,200 of exemption is being allowed with respect to a particular individual. Now we allow up to the \$600 of income for the aged person and the \$600 that is allowed on the return of the person supporting him.

If we covered a situation of \$700 of income of the aged person, this would mean that \$1,300 exemption was being allowed. Now, when we say that in the normal case a child should have only a \$600 exemption, \$1,300 seems too generous.

Mr. NORMAN. Mr. Brannon, is there any reason why the income test for claiming a dependent should relate to gross income rather than adjusted gross income?

Take, for example, two similar families. In one family, the parent has a small business from which he derives a gross income of \$1,000 but he has to put out, say, \$700 during the year for expenses of that business, making an adjusted gross income of only \$300.

Take, on the other hand, another family where the parent receives \$300 in dividends. Under present law, the taxpayer in the first family who contributes to the support of the parent could not take him as a

dependent, since the parent had over \$600 of gross income. In the second case, since the parent's gross income was less than \$600, the adult child could claim him as a dependent, even though in both cases the net effect is that the parent received only \$300 during the year.

Is there any reason for that distinction?

Mr. BRANNON. In the first case that you gave me, I understood that you were subtracting the cost of goods sold.

Mr. NORMAN. More precisely, I was referring to expense of doing business or expenses of producing income. Forget about the cost of goods sold, and suppose he is a farmer and gets \$1,000 from produce but it costs him \$700 to produce it.

Mr. BRANNON. The general requirement there is one of simplicity; that is, what is the gross income of the individual claimed as a dependent? It is a more meaningful question to ask in most cases instead of asking how did the details of your tax return computations come out in the case that you have described.

Let us assume a case where the child contributes something to the parents' support. The parent is in business, and let's say the child has enough contribution to claim over half support. One can cut this test very fine if you want to; that is, it can be based on the precise details of the father's tax return, the parent's tax return. This is the kind of thing you are suggesting, that you first find out precisely what deductions the father is entitled to, and—

Mr. NORMAN. That would be business deduction; not the so-called other deductions.

Mr. BRANNON (continuing). Make the eligibility hinge on those deductions. It might be that if some of those deductions were overstated then the eligibility or the dependency deduction disappears and the son has some additional tax liability.

Just as a practical matter, it seemed more useful to have this qualification depend on fairly simple statistics and not a refined statistic. That is the answer I have to give you on this.

Mr. NORMAN. Your answer is that it is in the interest of simplicity?

Mr. BRANNON. Yes.

Mr. NORMAN. Mr. Brannon, what would be the Treasury's reaction to repealing provisions which make income of short-term trusts includible in the gross income of the individual who had a legal obligation to support the recipient of the income rather than including the income in the gross income of the recipient? Is it equitable to include trust income in the gross income of the settlor of a trust in a State which casts upon him the obligation to support his older relatives while not including the income in the gross income of a settlor of a trust in a State which does not cast upon the settlor the obligation to support his older relative?

Mr. BRANNON. Our general reaction is that one ought to be very careful in modifying these rules. It seems to us, for example, the important difference in the cases that you described is the State laws.

Now, if one thinks that States ought to be more concerned with support of parents, then it may be the appropriate amendment here is to change some of the State laws that don't have this type of requirement.

It gets very difficult when you start to change around the Federal law to say, in effect, there are certain kinds of State requirements that

we ought to respect and certain kinds of State requirements that we should not respect.

Mr. NORMAN. Does not the present provision penalize the States where the younger people are required to support older adults? In those States there is no way that a younger adult can set up a Clifford trust and make the income of the trust includible in the gross income of the older relative who receives it, is there?

Mr. BRANNON. Certainly; he can give him the money.

Mr. NORMAN. I know, but I'm asking about setting up a trust.

Mr. BRANNON. He can set up a trust and abandon the control over the trust, make it a 10-year trust and make it one that qualifies as a separate trust and not Clifford trust.

Mr. NORMAN. The Clifford-type trust, no matter if it qualified in every other respect, if the younger adult who set up the trust has the obligation to support the older adult who received the income, then the younger adult is taxable on the income; is that not true?

Mr. BRANNON. That is right.

Mr. NORMAN. There is no way for him to set up a Clifford trust and have the income taxable to the recipient whom he has a legal obligation to support?

Mr. BRANNON. Yes.

Mr. NORMAN. Does that not penalize the settlor, in the States that do have those provisions?

Mr. BRANNON. Let me try to describe the problem in this way so it will be clear just what we are talking about.

This is the intent of the trust provision that is involved here. If I owe Mr. Gibb here \$1,000, say this is a personal debt that I borrowed from him one time, and if I should set up a trust in which I have control of who gets the money each year, I tell the trustee to whom to pay it. If I am in the position to tell the trustee to pay Mr. Gibb \$1,000 to cover my debt to him, this is really a use of my own money and that \$1,000 is my income despite the fact that it was not actually paid to me.

Now, similarly, with regard to other kinds of obligations, if I set up a trust in which I control who gets the money and I can say to the trustee, "You pay it to someone to whom I owe money," then by discharging those obligations I have gotten the benefit of the money and I should include it in my income.

In effect, what you are arguing here is that there are certain kinds of obligations that a State might impose such as an obligation to support a parent which we ought to ignore. This gets into a rather complicated matter. Which State obligations are good ones and which ones are doubtful ones; which ones should we ignore and which ones should we not ignore?

It seems a systematic thing is to follow the way the State wants to set up its obligations. If they want to require the children to support parents, this is their business and we should treat this as an obligation.

Mr. NORMAN. Thank you very much, Mr. Brannon.

Senator SMATHERS. Mr. Brannon, in conclusion, the Treasury position is that they don't want to make any tax change at this time.

Mr. BRANNON. That is right.

Senator SMATHERS. And, therefore, that it is not so much this particular phase of the tax law, but you just don't want to make any at this time because the Government needs the revenue.

Mr. BRANNON. No. We also think that making tax changes or providing particular benefits to people who contribute to the support of their aged relatives is unwise.

Senator SMATHERS. It is not the position of the Treasury that they are against young people contributing to the support of their parents, is it?

Mr. BRANNON. No.

Senator SMATHERS. All right.

Thank you very much, Mr. Brannon. You have done a good job. You have stimulated our thinking. We appreciate your time and effort as well as that of your associates.

Senator SMATHERS. Our next witness is Mr. Ernest Giddings who is the director of legislation, the American Association of Retired Persons, National Retired Teachers Association.

Mr. Giddings, we are delighted to have you.

Would you introduce your associate for the record, please, sir?

STATEMENT OF ERNEST GIDDINGS, LEGISLATIVE REPRESENTATIVE, NATIONAL RETIRED TEACHERS ASSOCIATION AND AMERICAN ASSOCIATION OF RETIRED PERSONS; ACCOMPANIED BY ALAN MERCILL, LEGISLATIVE ASSISTANT

Mr. GIDDINGS. Yes.

Mr. Chairman and members of the Senate Special Committee on Aging, my name is Ernest Giddings.

I am the legislative representative of the National Retired Teachers Association and the American Association of Retired Persons. Accompanying me is Mr. Alan Mercill who is the legislative assistant of our organization.

We are here today representing our combined membership of approximately 1 million persons age 55 and older. Our associations are nonprofit and nonpartisan and we are dedicated to helping older persons help themselves and each other toward independence, dignity, and purpose in their later years.

We appreciate the opportunity to explore with your committee any proposals for possible legislative action which may be of concern to both the person over age 65 with inadequate income and to the son or daughter under age 65 who may make a financial contribution for the benefit of an aged parent.

We believe in the traditional American principle of filial responsibility. Specifically, we believe that the son or daughter as an earner and taxpayer should be encouraged but probably not be compelled to assume part of the support of a needy father or mother.

Since a substantial part of our membership is between the ages of 55 and 65 and since many of them have needy parents age 75 and older, we have a special concern for the well-being and fair tax treatment of both groups.

I would like to talk about the case for increasing the income test to \$1,200 for claiming relatives over 65 as dependents.

We believe the Congress should seek legislation to reward and encourage the taxpayer to contribute to the support of needy older relatives. The following example shows how the Federal Tax Code now discriminates against the taxpayer who does support older relatives and how it, in effect, rewards the taxpayer who does not so contribute.

Example: Taxpayer A is a 55-year-old man with a 55-year-old wife and a mother and father, both of whom are 80 years of age. Taxpayer A had \$6,000 of earnings for 1965, from which he contributed \$200 a month (total for year: \$2,400) to the support of his parents. The only other income of his parents during the year was a small pension received by his father, the total of which for the year was \$700.

In computing his Federal income tax for 1965, taxpayer A qualified for three personal exemptions: one for himself, one for his wife, and one for his mother. He could not claim a personal exemption for his father since his father had over \$600 of income.

The facts in the case of taxpayer B were identical in every respect to those of taxpayer A, except that taxpayer B made no contributions to the support of his parents, preferring to spend the money on himself and his wife and to force his parents to seek public assistance or assistance from private charities. He, therefore, qualified for two exemptions: one for himself and one for his wife.

The chart following shows the comparison I have just described.

Comparison of taxpayers A and B

	A	B
Income from earnings.....	\$6,000	\$6,000
Amount of earnings available for spending on taxpayer and wife.....	3,600	6,000
Number of exemptions.....	3	2
Standard deduction.....	600	600
Federal income tax for 1965, assuming that neither itemized deductions.....	552	658
Percentage of income available for spending on taxpayer and wife which was required for paying Federal income taxes.....	15.3	11

I should point out that in the first column, the second item shows the amount of earnings available for spending on the taxpayer and wife of Taxpayer A because he has contributed \$2,400 to his father and mother. This shows in the first column, the fifth item, his Federal income tax as \$552, but probably the important point is the last one in that column showing that he therefore has spent 15.3 percent of the amount of money available to him and his wife for the payment of his income tax. In column B that figure is 11 percent.

Now the recommendation that we would make is to correct this situation.

Recommendation No. 1: The Congress can provide a degree of tax equity to Taxpayer A in the above example by changing the income test to permit the dependent to earn \$1,200 without loss of his dependency status.

Such a revision in the Tax Code would result in Taxpayer A counting four personal exemptions. His Federal income tax in this case would then be \$450, which would be 12.5 percent of the total income which would be available for the use of himself and his wife.

Permitting earnings of \$1,200 by the over-65 dependent should encourage him or her, to greater effort at self-support and independence,

an important incentive and one which should not be overlooked by the Congress. We therefore urge the Congress to so amend the Tax Code as to permit a dependent older relative to earn up to \$1,200 without loss of his status as a dependent.

Recommendation No. 2: An alternative to recommendation No. 1 would be to retain the present \$600 income limitation but permit the taxpayer to count the dependent relative over 65 as two exemptions instead of one. The tax result would be very similar if not identical to the benefit granted in recommendation No. 1 above.

Now I would like to take up the case for amending the Internal Revenue Code to permit deduction by a taxpayer of his payments for medical expenses of a relative over 60 who had less than \$1,200 of income during the taxable year, even if the taxpayer did not contribute as much as one-half of the support of the older relative during the year.

At present, the Federal income tax statutes discriminate against taxpayers who pay the medical expenses of their needy elderly relatives but who are prevented by technicalities from deducting such expenditures.

Example: Taxpayer A is a 40-year-old man with a 40-year-old wife, and a mother and father, both of whom are over age 60. Taxpayer had \$6,000 of earnings during 1965, from which he contributed \$1,000 during the year for the support of each of his parents (total, \$2,000). All of this amount was in the form of payment of medical expenses of his parents.

His parents had incomes of \$1,100 each during the year, which they expended for their own needs. Therefore, his contributions did not amount to more than half the support of either parent during the year, and he was thereby prevented from claiming them as exemptions on his return or deducting medical expenses paid in their behalf.

Taxpayer B is a 40-year-old man with a 40-year-old wife. His parents are wealthy and consequently he did not make any contribution to his parents during the year from his \$6,000 annual income.

This chart illustrates the points I have made.

Comparison of taxpayers A and B

	A	B
Income from earnings.....	\$6,000	\$6,000
Amount of earnings available for spending on taxpayer and wife.....	\$4,000	\$6,000
Exemptions.....	2	2
Standard deduction.....	\$600	\$600
Federal income tax for 1965, assuming that neither itemized deductions.....	\$658	\$658
Percentage of income available for spending upon taxpayer and wife which was required for paying Federal income taxes.....	16½	11

Mr. GIDDINGS. Item 2 in the first column is the \$4,000 of earnings available for spending by taxpayer A and his wife.

The last item in column 1 shows that he must use 16½ percent of the income he has available for spending upon himself and his wife to pay his income tax.

Out of this comes recommendation No. 3.

The Congress can correct the inequity shown in the above example by amending the Internal Revenue Code to permit taxpayer A to de-

duct the medical expenses he paid for his 60-year-old father and mother even if he, taxpayer A, did not contribute as much as one-half the support of his father and mother during the year.

Taxpayer A in the example would take the \$2,000 medical deduction instead of the standard deduction. As a result, his Federal income taxes would be 10.5 percent of the remainder of his earnings after contributing the \$2,000 in medical expenses to his parents. This would compare favorably with the 11 percent of taxpayer B shown just above.

We would urge the Congress to amend the tax code as proposed in the preceding paragraph.

Now I would like to comment on two recommendations for the committee of a different nature.

Under existing tax law, the taxpayer is not permitted to claim an exemption for his older relative if the older relative's gross income is more than \$600 for the year, even if his adjusted gross income is less than \$600.

Activities such as farming, businesses, and renting of property produce income only after an outlay of expenses. Since upkeep, maintenance, and other expenses determine the net amount available for use of the owner, gross income is not a fair measure, we believe, of dependency of the older relative.

The taxpayer with an older relative whose income is from dividends, interest, or wages receives favored tax treatment under the present law, since gross income and adjusted gross income are much more likely to be the same than is the case in which the income is from rents, farming, or businesses generally.

The discrimination does exist and should be eliminated. We, therefore, urge as our recommendation No. 4 that the Congress amend the Revenue Code to relate the income test for claiming exemptions to adjusted gross income rather than to gross income, as is required under existing law.

Recommendation No. 5: We believe that Congress should establish by law a special savings bond for the specific use of taxpayers who may wish to assure a specified interest income for an older relative, without granting away the title of ownership of the bond itself.

Such a bond, designed to serve a specific need, would have the following characteristics: (1) be redeemable by the owner at his decision; and (2) interest would be paid to the older relative and taxable to him, and not to the taxpayer owner.

Establishment and administration of this proposal would seem to be relatively simple in comparison with some of the alternatives under study as methods of rewarding taxpayers for their contribution to older relatives.

As a conclusion to these comments, we believe that tax justice and equity to both the taxpayer under age 65 and his dependent relatives over 65 should be subjects for careful study and early action by committees of the Congress.

At the same time, we who represent NRTA and AARP wish to take this opportunity to say to your committee that the major and overriding need of a majority of older Americans is simply more spendable income. For several millions of older people the problem

will be alleviated when our society provides the increases in Social Security payments which are needed to allow older people to more nearly keep pace with our expanding economy.

With others, the problem will be eased when the Congress blankets in for minimum Social Security payments those over age 70 who did not have an opportunity to qualify during their working years.

Allowing others to earn up to \$2,400 annually without loss of Social Security benefits will not only provide more income for another large segment, but it will provide our labor force with the benefit of their skills and experience. Furthermore, a substantial improvement in the retirement income credit is definitely needed to provide more nearly equality of tax treatment for those older Americans who, in cooperation with their board of education or other employer, have built up for themselves a modest, if fixed, pension or annuity.

Senator SMATHERS. All right, sir.

Mr. Giddings, thank you very much.

May I ask you just this question? With respect to these recommendations, have you had an opportunity or have you learned from the Treasury what they consider that each one of them would cost the Government?

Mr. GIDDINGS. No. We have no way of determining an estimate and we have not learned that Treasury has made such an estimate.

Senator SMATHERS. All right.

Mr. Norman has indicated he will be willing to try to find this out for us from Treasury. (A letter providing this information was subsequently received from the Treasury Department, as follows:)

TREASURY DEPARTMENT,
Washington, D.C., August 3, 1966.

Mr. J. WILLIAM NORMAN,
Staff Director, Senate Special Committee on Aging, New Senate Office Building,
Washington, D.C.

DEAR MR. NORMAN: The following revenue estimates are provided in response to your requests. The estimates are based on our presently available information and our understanding of the details of the proposals. They could be modified by later information.

1. Extra \$600 exemption for aged dependents over 65. Estimated at \$0.4 billion.

2. Raise the \$600 gross income limit for claiming as dependents persons over 65 to \$1,200. Estimated at \$50 million. It would cost about \$55 million if the limit were changed from gross income to adjusted gross income. Lowering the age limit to 60 would add about \$15 million to the cost of either version of this proposal.

3. Allow the deduction of medical expenses paid on behalf of persons aged 60 or over with gross income not in excess of \$1,200, subject to present floors on medical deduction, even though the 50 percent support provision is not met. Since these expenses have never been deductible there is little to go on, but the cost may be on the order of \$15 million.

4. (a) If the 50 percent support test is met, a taxpayer would be allowed to claim an exemption for persons over 18 who are not students, where their adjusted gross income does not exceed \$600, even though their gross income may be greater than \$600. Assuming this provision adds 10 percent to the number of dependents who could be claimed, the cost would be roughly \$50 million. About \$40 million would be attributed to relatives 60 years of age or older.

(b) Assuming proposal (2) were already in effect, the additional cost of moving the \$600 limitation on other than aged dependent's income from gross income to adjusted gross income would be about \$25 million. This liberalization would affect all dependents aged 19 to 64 except full-time students. About \$10 million would be attributable to extra exemptions for persons 60 to 64 years of age.

5. This proposal would permit the purchase of special U.S. Bonds, the interest on which would be payable to a designated person 60 years of age or older and would be taxable to him rather than to the owner of the bonds. This would decrease the use of some existing trust arrangements and would attract taxpayers not interested in setting up a trust. The cost would be appreciable, but we have no satisfactory way of estimating it. It would benefit only taxpayers with at least moderate incomes and a considerable amount of liquid assets.

6. This would provide that in a jurisdiction where an individual is under legal obligation to support an aged relative, the income of a trust set up for such a purpose would be non-taxable to the grantor under the same circumstances that it would be in jurisdictions with no such obligation. The direct revenue involved would be limited, but data for an estimate are lacking.

7. It is proposed that section 214 of the Internal Revenue Code be amended to provide that a single man be allowed to deduct the expenses of caring for a dependent 60 or over who is physically or mentally incapable of caring for himself without regard to the \$3,000 income limit. This provision is now available to women, widowers and husbands with incapacitated wives. The cost may run about \$3 million.

8. In the case of married women and husbands with incapacitated wives, raise from \$6,000 to \$7,000 the income limit beyond which expenses of caring for a dependent is reduced dollar for dollar, but only where dependent is over 60 and incapable of self support. The cost may run about \$2 million.

Sincerely yours,

STANLEY S. SURREY,
Assistant Secretary.

Senator SMATHERS. As you know, the Treasury's estimate of revenue loss is always surprising and overwhelming if they are opposed to a proposal. If they are not, it does not cost very much.

Mr. GIDDINGS. As you know, Senator, we have discovered that fact. We have had a number of pieces of legislation before the Congress over the past several years; and we believe the Congress has made some wise decisions on them in spite of the opposition of Treasury when items that may seem small in relation to the whole tax program nevertheless have been acted upon favorably by the congressional committees and by the Congress to provide a degree of tax equity to meet certain specified needs of older people.

Senator SMATHERS. Yes, sir.

Well, thank you.

We think the Congress will continue to move in that direction.

We appreciate these recommendations which you have made and I am glad to say that I as one member of the committee agree with all of them.

Thank you very much.

The committee will stand in recess until further call of the Chair.

(Whereupon, at 12:10 p.m., the committee recessed, subject to the call of the Chair.)

APPENDIXES

APPENDIX A

LETTERS TO WHICH CHAIRMAN REFERRED IN HIS OPENING STATEMENT

MAY 21, 1966.

DEAR SENATOR SMATHERS: 1***

I am a schoolteacher, the sole support of my fifteen year old daughter and my father and mother, aged 82 and 78, respectively.

At the time of my divorce I went to live with my parents in their home, hoping to provide a stable atmosphere for my daughter, who was then two years old. My parents supported us on a very limited income and assisted me in finishing my college education. This was a tremendous financial burden for them, especially in view of the fact that, although I had tried many times, I was unsuccessful in obtaining enforcement of a Court order for child support from my former husband.

I obtained a teaching position in 1958 and have taught in Ohio and Florida public schools to the present time. My teaching field is in the area of exceptional children—the mentally retarded, emotionally disturbed, and physically handicapped.

This area of education requires extra training, in addition to the normal requirements for regular teaching certification. At present I am working on the master's degree program in special education, through extension courses and summer school, from the University of Florida. With the exception of nine semester hours last summer, for which I received a \$200 Florida State scholarship, I have paid for all these extra courses myself. (I enjoy working with these children, and I believe I have been somewhat successful in helping them. I find it very gratifying and personally rewarding; although many teachers are not inclined to go into this field because of the fact that it requires extra training, certification requirements are more demanding, and there is no extra salary increment for public school teachers of the handicapped—at least in the areas in which I have taught.)

My salary for 1958 was \$3,397.83. For 1965 it was \$5,743.01. Family medical expenses during these years were staggering. My father, crippled with arthritis, has been confined to a wheelchair since 1958. My mother has had several hospital confinements and major surgery during this period. In 1958 the medical and drug costs were \$795.00; in 1959, \$897.07; in 1960, \$1,318.25; in 1961, \$1,364.62; in 1962, \$1,106.24; in 1963, \$1,093.44; in 1964, \$1,420.46; and in 1965, \$1,466.55. (The latter figure does not include bills which have not yet been paid.) In eight years, nearly one fourth of my yearly salary has gone for medical and drug bills, primarily for my parents.

In the Spring of 1960 I was notified by the Internal Revenue office that my tax return for 1959 was being audited. They were questioning my dependency claim for my mother and daughter. My father's social security benefits amounted to about \$700 yearly, so I did not claim him as a dependent. At this time I was paying the taxes on their home (which I was not allowed to take as a deduction), food costs, utility, medical, and clothing bills—everything—outside of my father's contribution.

Because I had claimed my mother as a dependent in 1958 and that fact had not been questioned, I had no reason to foresee that I should save receipts for clothing expenditures for her. This was one of the government's main objections. As nearly as I could estimate, I had spent about \$226 for her clothing for that year. Since I had no receipts, I was told, they would allow \$80.00 as a "reasonable amount when not verified."

¹ See p. 1.

From April until July of 1961, I was in a mental turmoil as a result of the harassing letters from the IRS. My teaching assignments are frequently exhausting; yet I had to take time to go over all my statements and answer their innumerable requests for verification, and fight the mounting feelings of frustration at their 'disallowed' amounts, etc., etc., etc.

* * * * *

Much has been done, legislatively, to rectify previously existing inequities in many important areas. This has been done, I feel, as a result of the vociferous outcries and tremendous publicity campaigns of many organized groups.

The people in my position have no lobby; we can join no boycott; we do not march with posters and banners in protest parades. But hopefully, with the help of investigators such as yourself, some consideration will be given to those who are trying, despite great odds, to do what is morally right.

I have now been notified that my 1965 tax return is being audited.

* * * * *

Again, the dependency of status of my daughter and my parents is being questioned. My income, after deductions, was \$2,832.32 last year.

What is not reflected in the return is the fact that in order to support my family last year, I withdrew over \$900 in Teacher Retirement Funds from Ohio—the entire amount—and \$1,300—my total credits—from the Florida Teacher Retirement System. In addition to these amounts, I was forced to borrow \$1,000 from a personal friend. (In fact, my indebtedness at this time is so great that a lawyer advised me to declare personal bankruptcy. However, I feel that this is the dishonest way out. I incurred the debts and I will pay them. But I do need time to discharge my obligations.)

Investigating the problems of those who care for their aged parents might be compared to examining an apparently harmless skin lesion and discovering cancer. Those of us who want to keep our parents with us are doing so under the most trying economic and psychologic circumstances. Increasing the exemption allowance for aged parents is a small step in the right direction. No tax assistance, however, can solve the potential emotional problems which can arise in families where there are three generations. I would like to see concerted social action directed toward solving these problems also.

Each generation has its own mental and physical problems which can produce conflict with the other family members. (In my own case, all of these tensions, aggravated by financial problems which worried my parents also, resulted in the need for psychiatric treatment for my daughter. This remains one of my unpaid debts.)

Two prominent contributing factors in emotional disorders are undue anxiety and stress. These factors are predominant in households where each member is aware that financial security and basic needs are threatened daily. Where these needs are dependent upon one woman, whose varying roles as breadwinner and homemaker create almost superhuman demands, and whose loyalties as mother and daughter are often in conflict, the situation becomes overwhelming.

I feel that I speak for many women in my circumstance. There must be thousands of women all over the country—divorcees who are supporting children and parents without assistance—who need tax relief at least. The special tax table for the 'Unmarried Head of Household' affords little concession to the woman who is trying to hold her family together. This cold, unyielding categorization grants no discount for working while you are concerned about a sick child or disabled parents at home. The 'attached schedules' verifying amounts spent for support do not show the petty economies practiced in buying at bargain-basement sales and in menus of weiners or hamburger—and those, only on occasion. There is no special column for totaling the night hours spent in hospital corridors, worrying about a parent's condition, knowing it was necessary to get to work on time the next day. There are no reductions in tax rates for visits to the doctor which were *not* made because there was no money to pay for them.

I do not pretend that these conditions are peculiar only to those who care for their parents. To others who share my experiences let me say: I hope someone does something about your plight, too. But it does add insult to injury when, after trying to maintain a good, positive, healthy outlook on life and persuading yourself that these are just the necessary concomitants of today's living, you have to appear before an official of the IRS to explain why you should not have to pay extra taxes for the high and riotous manner in which you are carrying on.

I am sorry that this letter has not been more brief; but there is much left unsaid. I hope you are successful in your inquiry. The family, as the basic unit of our society, must be supported by any measure which can help strengthen its structure.

Many of us want our parents with us, but economic pressures make it an increasingly difficult situation. I do not believe that it is the mere presence of aged parents in a family which is at the root of the problem. I think that it is the fact of additional tensions which are created by the increased responsibilities each member feels.

Tax relief might also be a monetary inducement to those who are not now inclined to accept any responsibility for their parents. At least it might have a beneficial effect in enhancing the status of the old people in their own and their children's eyes.

* * * * *

Thank you for allowing me to express my opinions.

Sincerely yours,

[Name withheld.]

(The writer of the above letter was asked questions which, together with her answers, appear below:)

Q: How do your parents feel about your inability to obtain Federal tax concessions for your support of them? Has this made them more reluctant to take assistance from you? Do you think they would be happier to receive assistance from you if your assisting them substantially reduced your Federal tax burden?

A: My parents have both felt that the Federal Government, in setting up its tax schedules, does not take into consideration the many burdens and responsibilities placed upon children who support their parents. While the tax may not be excessive in itself, when added to other problems it becomes quite weighty. This has made them feel that they are adding to my burdens. I really do not think that even a reduction in my tax—because of my supporting them—would completely lessen their distress at the situation. They would certainly welcome any relief for me; but they are aware of the urgency of our economic situation.

Q: To what extent do you believe your heavy Federal tax burden has contributed to your daughter's maladjustment? Please explain.

A: While it may be a minor contributing factor, indirectly, I cannot put the blame on my tax burden for my daughter's emotional problems. It would certainly help her situation to have a mother who was less harassed financially. She was counseled by a psychiatrist at the Univ. of Fla. for only six weeks last summer. As you may know, the cost of such treatment is prohibitive. Although the need is indicated, it is financially out of the question at this time. (Her problem is more closely associated with one of the other matters I brought to your attention: the child-support laws.)

Q: What, if any, consideration have you and your parents given to the possibility of their applying for Old-Age Assistance, Medical Assistance for the Aged (Kerr-Mills), or both, as a means of decreasing their need for contributions from you? If you and they have not considered this possibility, why not? If the possibility has been considered, what was the result of that consideration?

A: My father, at the present time, is in a stage of advanced senility. He has been a resident of a Home for the Aged since Feb. 23, '66. This has been another source of great mental anguish to my mother and me. She is ashamed to have anyone know about it. I am ashamed that, although he always took care of me and gave me a good home and education, I am unable to provide for him at home now. A representative from the State Welfare Board has told my mother that Kerr-Mills will no longer be in effect when Medicare comes in. My parents will have been residents of Florida for five years at the beginning of August, 1966. They will then be eligible for state welfare. The agency has notified my mother that they will contact her again at that time.

FORT LAUDERDALE, FLA., May 15, 1966.

Senator GEORGE A. SMATHERS,
Washington, D.C.

DEAR SIR: ² Am happy that you realize the problem of aging parents needing help from their children and being allowed tax relief for the financial assistance given their parents.

² See p. 1.

I am a widow 74 years of age—I had to retire from Dade Co. public schools in 1951 because of a stroke. My retirement pay is \$1,720 a year. I get a small amount from New York Life Insurance Co. for disability. In 1958 I broke my hip and have been a semi-invalid ever since. I am in the Lauderdale Beach Hospital now recuperating from a fall.

I have one child, a son 44 years of age—married and has four children. He is very glad to help me all he can afford and I do have to accept his help. If he could deduct this expense from income tax, I would not feel so reluctant to take it.

I reared my son alone and gave him 5 years at Univ. of Fla. on a teacher's salary. He graduated in 1943 and went into the Army at once. The government did *not* educate him. I paid for his education on a meager salary.

Is there anything I can do to help you convince your committee that this situation should be corrected?

Sincerely yours,

RUTH F. BROWN.

BAIRD & BAIRD,
Council Bluffs, Iowa, May 9, 1966.

DEAR SENATOR RANDOLPH: * * * *

I have been a member of the Committee on Tax Problems of Farmers of the Section of Taxation, now known as the Committee of Tax Problems of Agriculture, for many years and so I welcome this opportunity to give my views on this important subject.

I recently had a client consult me about her tax situation. After working as an employee of the Veterans Administration for thirty years, she retired and now lives with her Mother . . . Her principal income is the annuity or pension she receives from the government and now it is all subject to tax because she has in previous years received her contribution or her cost. Her complaint is that although she is required to spend all of her modest annuity to support herself and her aged Mother, who has rather large medical expenses, she is not permitted to consider her Mother as a dependent because her Mother receives Social Security benefits of over \$600.00 per year. In other words, her Mother does not meet the gross income test for a dependent.

Since her Mother does not meet the test for a dependent, my client is not entitled to the head of household tax treatment. This seriously affects the tax liability of my client and in turn it affects the amount she has to spend for the care of her Mother.

I have tried to console her with the thought that some day the personal exemption may be increased to \$1,000.00 as I have seen suggested in newspaper articles and elsewhere.

I feel that some action should be taken in this situation. There must be thousands of other women who like my client are single and who have all or nearly all of the expenses of a household thrust upon them and who are deserving and need some help in their tax situation.

* * * * *

I want to thank you for your invitation to write this letter to you.

Yours very truly,

DONALD P. BAIRD.

MY DEAR SENATOR: * After reading the item in the newspaper about a tax break for those who support a parent, hits our home like a streak of lightning. This tax relief is long overdue. My daughter, single and 48 years old, is a secretary and I am a widow 79 years of age. She can't claim me a dependent on her income tax * * * Most of her wages go for the expense of this modest home.

I think it is about time to do something for the worthy. My daughter has never had a new car. We keep turning it in for a used car a little better than the present one * * *

Now I hope you will do your part to help the single workers who are doing their

³ See p. 2.

⁴ See p. 2.

part to their parents. I hope you will be able to do something along the lines you say as it would be a great help to my daughter and me, too.

* * * * *
Sincerely,

[Name withheld.]

NEBRASKA, *May 16, 1966.*

DEAR SENATOR SMATHERS:⁵ This is in reference to your news release dated Sunday, May 14, 1966, of which a copy is attached.

I would like to express my opinion on this matter since it has affected me personally.

During the calendar year of 1965-66, I will have spent in excess of \$1,000 each year, as supplemental support of both my parent and the parents of my wife. Consequently, the thoughts related in your news release carry some merit.

Whether there should be a tax incentive or not, I shall continue to support and give whatever care is required by our parents. Your statements are well taken, however, in that it can place periodical binds on a young family man.

For your information, I am 31 years old, an educated individual, and have three children. My annual income is approximately \$13,000 per year. If I interpreted your news release correctly, I would fit into one of the categories which you were discussing.

I would not take it upon myself to solicit your specific interest in this matter, however, it does continue to give you some perspective as to what is happening in this area.

Most sincerely yours,

FRANKLIN J. WILLIAMS.

MAY 17, 1966.

DEAR SENATOR SMATHERS:⁶ I am most pleased to have received your release of May 14, 1966, regarding the most wonderful Biblical injunction: "honor thy father and mother."

I wholeheartedly agree and support your position as I have been blessed with parents now in their nineties who I have been supporting for many, many years. I am sincerely grateful that I am able to do so, however, the normal deduction is nowhere the amount of money I spend every year. I have taken the responsibility of paying their mortgage and interest as well as their gas, electricity, telephone, etc. I also pay for their food for the year as well as their doctor bills, medical payments, etc.

All of the above is not deductible. If something could be done to allow people in my position to deduct some of the expenses involved, it would be most helpful. I should hate to think what might happen if I was incapacitated and unable to do any of the above.

I look forward to your further advice.

Sincerely,

[Name withheld.]

⁵ See p. 2.

⁶ See p. 2.

APPENDIX B

PROFESSIONAL COMMUNICATIONS RECEIVED

AMERICAN MEDICAL ASSOCIATION,
Chicago, Ill., June 24, 1966.

DEAR SENATOR SMATHERS: Thank you for your letter of June 7, 1966, which invites the American Medical Association to comment on draft material on "Tax Consequences of Contributions to Needy Older Relatives." Your letter particularly solicits our comments on "Possible Finding No. 3" and "Possible Recommendation No. 3." These are as follows:

Possible Finding No. 3.—At present, Federal Income Tax statutes discriminate against taxpayers who pay the medical expenses of their needy elderly relatives but who are prevented by technicalities from deducting such expenditures.

Possible Recommendation No. 3.—The Committee recommends that the Internal Revenue Code be amended to permit deduction by a taxpayer of his payments for medical expenses of a relative over 60 who had less than \$1,200 of income during the taxable year, even if the taxpayer did not contribute as much as one-half of the support of the older relative during the year.

The American Medical Association in the past has advocated changes in income tax laws, which changes would provide an incentive for individuals to furnish medical care for older relatives and would accomplish a more equitable treatment for those taxpayers who have made expenditures for such medical costs. In 1963, the American Medical Association appeared before the House Ways and Means Committee to discuss suggested changes in the Internal Revenue Code. The recommendations we submitted at that time were reiterated in 1965, when we appeared before the Senate Committee on Finance, which was then holding hearings on the Social Security Amendments of 1965.

At the latter hearing we commented specifically with respect to Section 106 of H.R. 6675, 89th Congress, which would amend the Internal Revenue Code with respect to medical expense deductions. We supported the liberalizing provision which would grant a deduction to every taxpayer of a part of the amount which he spends for health insurance. We opposed the provision in that bill which would remove the then existing exemption, granted to the aged and to taxpayers furnishing medical care for certain relatives, from the 3% rule with respect to medical expenses and from the 1% rule with respect to medicine and drug expenses. We regarded the removal of those exemptions as a "step backward," and believe it unfortunate that this occurred in the enactment of P.L. 89-97. We would accordingly support your proposal to reinstate these provisions in the Internal Revenue Code.

At the 1965 hearing, the AMA also suggested three amendments to the Internal Revenue Code with respect to medical expenses of the aged. We set these out in full below as bearing on aspects of "Possible Recommendation No. 3." You will note that our suggestions are in harmony with your recommendation. Our recommendations were:

For persons who have attained age 65, we propose the using of a credit against tax liability instead of a medical expense deduction. The tax credit should be related to the amount of his income and to his medical expenses so that a taxpayer who has a burden of medical expenses which is large in proportion to his income will receive the greater amount of tax relief.

Our second proposed Code amendment would permit taxpayers over age 65 to receive full tax benefits for medical expenses by use of the carry-forward and carry-back method. The Code now permits businesses to offset losses in one year against profits in another year. We believe that it would

be equitable to apply the carry-forward and carry-back mechanism to the medical expenses of elderly persons. If the medical expenses of a taxpayer who has attained age 65 are unusually high in one year, he should be permitted to carry back (or forward) the "excess" so that the tax benefits will not be lost to him. We therefore recommend that the Code be amended to authorize for these taxpayers a three-year carry-back and a five-year carry-forward for unclaimed medical care deductions.

Our third proposed Code amendment is to permit a taxpayer to deduct in full the amount paid for the medical care of any person who has reached the age of 65 and is within the named group of persons defined as dependents under section 152 of the Internal Revenue Code.

Under existing law, [1965] a taxpayer is entitled to deduct without limitation the amount he has spent for the medical care of his parents or his wife's parents who are his dependents and who have attained age 65. However, with respect to his sisters, brothers, grandparents, or other dependents who have attained age 65, the general rule applies which permits the taxpayer to deduct only those medical expenses which exceed 3% of his adjusted gross income. There appears to be no reasonable basis for restricting the taxpayer to a smaller deduction merely because the dependent is not a parent. The financial hardship to the taxpayer is the same regardless of the degree of family relationship.

Another inequity is the requirement of dependency before a taxpayer can deduct for the medical expenses which he has paid for another person. Under existing law, unless the taxpayer has contributed more than one-half of a person's support, the individual is not a dependent and the amount paid by the taxpayer for the medical care of the individual is not deductible. Permitting the taxpayer to deduct his contribution toward the medical care of an elderly relation will encourage family responsibility. It will also make it unnecessary, in those cases where it might otherwise be so, for the aging persons to convert to cash necessary income-producing assets in order to pay for their medical care.

Possible Recommendation No. 3 would liberalize the medical deductions allowed taxpayers. As indicated above, the American Medical Association supports this goal.

We hope that the above information will be of assistance to your Committee, and we are pleased to have the opportunity of expressing our views.

Sincerely,

F. J. L. BLASINGAME, M.D.

THE UNIVERSITY OF WISCONSIN,
DEPARTMENT OF ECONOMICS,
Madison, May 23, 1966.

Mr. J. WILLIAM NORMAN,
Staff Director, Special Committee on Aging,
U.S. Senate, Washington, D.C.

DEAR MR. NORMAN: In view of the shortness of the time before May 26 and the tightness of my schedule, I am submitting herewith a few paragraphs which represent a hasty reaction to your excellent memorandum:

Although in general I am opposed to further proliferation of exemptions on the score that they contribute to the undue erosion of the income tax base, I accept the contention that the support of older relatives by their children should be encouraged and that present allowances in this area are harsh and niggardly. Ideally, the re-examination of these allowances should entail the reconsideration of the entire area of tax allowances for the aged. This is a large order encompassing the inclusion of social security in the tax base, the double exemption for the elderly and the retirement-income credit. My views on these matters have been stated in *Federal Tax Treatment of the Family*: Brookings, 1963. There I observed:

Particularly conspicuous . . . is a combination of privileges piled one upon another, which are obviously surplus for many older people in need and which greatly reduce the tax of those who are in no sense underprivileged . . . If all income of the elderly were included in the tax base and ordinary exemptions allowed, then the exemptions associated with transfers by relatives could be liberalized in good conscience. For instance the income test which presently pre-

cludes an exemption if the dependent beneficiary (single) earns more than \$600, could be doubled. The support test could be liberalized by allowing the taxpayer an additional exemption if he contributed an amount in excess of \$600. The remaining constraints would be sufficient to eliminate token gifts by the well-to-do to the well-to-do. I also see no objection to liberalizing the trust provisions to bring them into accord with the rest of the law.

I am more doubtful of the wisdom of liberalizing allowances if nothing is to be recommended in the counter direction. However, even in this case, liberalization of the income test as indicated above might be desirable.

I appreciate the opportunity to express my views on these matters to this Committee.

Sincerely,

HAROLD M. GROVES,
Professor of Economics.

THE METHODIST HOME,
Charlotte, N.C., May 17, 1966.

Senator GEORGE A. SMATHERS,
*Special Committee on Aging,
New Senate Office Building, Washington, D.C.*

DEAR SENATOR SMATHERS: The news release relative to the Special Committee on Aging (U.S. Senate) giving concern to young and middle aged tax payers who by virtue of concern for elderly relatives deprive their own families of necessities but receive no income tax relief for such efforts, gives us a personal feeling that you are on the right track.

In our work here during the past 14 years you are no doubt aware that we run across many wonderful kinsmen who make every effort to help the parent, Aunt or Uncle who may need some financial assistance and do it cheerfully and with a sense of satisfaction. On the other hand, we likewise run into the disinterested, unconcerned relatives who merely are interested in "dumping" their problems on others. They do not care whether these others are made up of special groups or governmental agencies, but it is very obvious they are skirting moral responsibilities.

We sincerely hope that the Committee will take action on May 26th that may lead to a tax adjustment for those children who do make sacrifices in behalf of their loved ones.

Sincerely yours,

WILLARD FARROW,
Administrator.

SPRINGFIELD, MASS., *May 20, 1966.*

DEAR SENATOR: We, the Council for Aging of Springfield, Massachusetts are 100% in favor of tax exemption for those who care for their parents or relatives, especially those that have them residing under the same roof.

After 11 years dealing with our aging problems, having some 10,000 cases, we are fully convinced that those that harbor their parents or senior relatives should be given consideration in our federal tax structure.

How pitiful it is when you hear of an elderly person being committed to a mental institution where 34% of the patients are over 65 years of age in our state.

After once committed they usually are in the institution for life.

Many of these persons, according to the doctors, can be helped and returned to society.

Where are you going to put them?

Surely not back in the same environment from where they were committed.

Rest and nursery homes serve a useful purpose in a community but those of us who are active look upon them as another place we may be sent to spend the rest of our days.

The children that take care of their parents or relatives in their homes are to be commended and we hope will be given tax exemptions.

We all feel that God also will reward them for obeying His fourth commandment "Honor thy father and thy mother."

Sincerely,

GEORGE MACK,
Chairman.

LAW OFFICES,
TAKIFF AND BOLGER,
Philadelphia, Pa., May 27, 1966.

Senator JENNINGS RANDOLPH,
Chairman, Subcommittee on Employment and Retirement Incomes,
Senate Office Building, Washington, D.C.

DEAR SENATOR RANDOLPH: On behalf of the Philadelphia Geriatric Center, I should like to submit for the consideration of the Subcommittee a number of ideas for tax changes designed to encourage and stimulate the shifting of income from young, productive taxpayers to their older loved ones who need supplementation of inadequate pensions, Social Security and savings. The Philadelphia Geriatric Center, which includes a hospital and home for the aged, a modern non-institutionalized living complex for well elderly persons, and a gerontological reesearch institute is keenly aware of the necessity for such tax measures which are urgently needed in order to provide elderly persons with the funds required for their care and welfare at a time when their earnings have decreased or ceased completely.

The Center considers an elderly person to be an individual who has attained his 65th birthday and considers an eligible elderly person to be one who, as an individual, has cash receipts, including non-taxable Social Security and retirement benefits of \$3,000.00 per annum or less. It further considers a family to be eligible where both husband and wife have combined cash receipts, as defined above, of \$4,500.000 per year or less.

The Center respectfully submits the following proposals:

1. There shall be established in the Internal Revenue Code an additional deduction for amounts paid by an individual for medical expenses, as presently defined in Section 212, paid for the benefit of his mother or father or an ancestor of either, regardless of whether or not said person is a dependent of the taxpayer within the support provisions of Section 152, if said mother or father or ancestor of either is an eligible elderly person.

This proposal is based upon the fact that many children who contribute substantially to the support of their parents may not contribute more than 50% of the support of such parent. In many cases the existence of social security and/or retirement benefits may prevent any one child from contributing that great a proportion of total cash necessary for support. In a case where a parent may have cash receipts of \$2,500.00 a year available for his own support, no child could claim that parent as a dependent, and thus claim a deduction for medical expenses paid for that parent, unless he or she contributed an additional \$2,501.00 to the support of such parent. In this example the parent would have to receive a total of in excess of \$5,000.00 a year from all sources before any child could deduct for a medical expense paid for him. We submit that this is not only unfair to less affluent children but is a perversion of the basic purposes of present tax policy. Under the proposal submitted a child could deduct from his or her income any medical expense paid on behalf of his parent so long as that parent had cash receipts of \$3,000.00 or less as an individual. It is suggested that our proposal is not only more fair to the child than current law but would promote immeasurably the assistance to the elderly which we all desire.

2. There shall be established in the Internal Revenue Code an additional deduction for amounts paid by an individual for living and subsistence expenses for the benefit of his mother or father or an ancestor of either if said mother or father or ancestor of either is an eligible elderly person. Amounts paid for living expenses and subsistence payments shall include amounts paid to homes for the aged and independent non-institutionalized living establishments for the elderly.

This proposal would establish a new concept in permitted deductions in that present law does not permit deduction for personal, living or family expenses. It would permit such a deduction in the limited case where payments are made for the benefit of an eligible elderly person. The proposal is designed to promote the assistance of children in meeting the necessary living expenses of their older loved ones who require supplementation of inadequate cash resources. It is especially necessary in cases where the parent may require the services offered by a home for the aged which, in truth, may be more appropriate and necessary in the cases of elderly persons than a hospital admission. But it is at least equally necessary in the normal course of events where the independence of the parent is an absolute requirement for his or her physical and emotional

well being. This is the usual case where the independence of the elderly person may well be in the nature of protective medicine and is equally as valid and necessary as a normal medical expense.

3. At the present time the Internal Revenue Code prevents the shifting of income from a high income taxpayer to a low income taxpayer. This is accomplished by various methods, including the doctrine of constructive receipt and prohibitions against assignment of income. Of course, these prohibitions are designed to prevent the avoidance of tax by the shifting of income and are valid and important measures which are necessary to the fair and impartial administration of our system of taxation. However, these prohibitions do present problems in the case where the low income taxpayer is an eligible elderly person who needs and requires additional funds to supplement his meager cash resources. Hence it is our proposal that:

The Internal Revenue Code shall be amended to provide that gross income shall not include any amount which, prior to receipt, is irrevocably assigned by any individual to an eligible elderly person.

The Internal Revenue Code shall be further amended to provide that gross income shall include any amount which is assigned to an eligible elderly person.

This provision would permit the assignment of income, within prescribed limits, to elderly persons and to shift the tax on such income to individuals in the lower tax brackets, hence promoting the assistance of elderly persons by young, productive taxpayers.

It is the position of the Philadelphia Geriatric Center that the elderly are in urgent need of every measure of assistance which can be made available to them. But it is also our position that this assistance should be kept as far removed from "charity" and the stamp of government assistance as is possible. We believe that the primary assistance of the elderly should come from the family to the greatest extent possible and submit that these proposals are designed to promote this result in a sensible and practical manner.

We respectfully solicit the consideration of the Subcommittee in this regard.

Very truly yours,

J. EARL EPSTEIN.

WASHINGTON STATE COUNCIL ON AGING,
Olympia, Wash., May 17, 1966.

DEAR SENATOR SMATHERS: I am writing to you in my capacity as Chairman of the Washington State Council on Aging and also as a private citizen affected by the situation which you report in your release of Sunday, May 14. I am writing to state the firm conviction that we need tax relief for those children who support or contribute to the support of their elderly parents. I am afraid we have gotten away too much from the "old-fashioned" idea that there should be some responsibility on the part of children for parents. This is particularly true where these children are in a position to assume the financial responsibility.

At the same time, I recognize that since the federal government in its tax program does not encourage the assumption of such responsibility by almost completely failing to make provisions for tax credit is discouraging many individuals from assuming such responsibility. The trend, of course, is in the direction of looking to the government to assume more and more responsibility for dependent groups. This trend could materially be affected if some encouragement was given to persons assuming their responsibility by way of tax credits.

As a citizen that believes in the biblical injunction, "Honor thy father and mother", and is practicing that injunction, I am writing to you to ask that every possible measure be used in securing the passage of tax legislation that will provide for relief to those who are assuming the financial responsibility of caring for their parents. This is badly needed legislation. The present \$600 exemption every year for one child is very inadequate. I would strongly recommend that a more realistic tax exemption figure be provided for in new legislation.

I wish to commend you and your committee for the leadership you are providing and to assure you that any support that I may be in a position to provide will be forthcoming immediately on request.

Cordially yours,

A. A. SMICK, *Chairman.*

RUTHERFORDTON, N.C., June 16, 1966.

HON. GEORGE SMATHERS,
U.S. Senate, Washington, D.C.

DEAR SENATOR SMATHERS: I have noticed with interest, in the newspapers, some of your remarks on the tax structure, relating to benefits to persons supporting aged parents.

The truly forgotten people in this country are the aged who have no income of their own and cannot earn, and the children who must support them in addition to their own expenses. For example, I know a man who will be ninety-four years of age in September. He has lived an exemplary life, having been a good citizen and an officer in the church and Sunday School teacher some half century, or more. He has never drawn a penny of assistance from Social Security, Welfare Aid, Old Age Benefits, or Military Connected Services. This is so because he was too old for military duty, too old to qualify for Social Security in the work he was doing before he was eligible, and because he steadfastly refused to give a lien on his little home and plot of ground officially appraised at \$2,700.00. Of course, he has had no income for many years. His wife also is living and will be eighty-six years of age in August. She has no property, income, or benefits.

The children support them, and do it gladly but it is hard. This support is in addition to the expenses of sending their own children to college and supporting their own families; and in addition to paying taxes to support the "Joe Bloaks" who have spent a quarter of their lives in prison for failing to support their own families and other violations of law, and who would have no interest in a deed to a home of their own. There must be other somewhat similar instances over this country of greatness and plenty.

Thank you for the courtesy of your time to read and your interest in the welfare of our people.

Very truly yours,

FORREST I. ROBERTSON,
Attorney at Law.

NEW JERSEY RETIRED EDUCATORS ASSOCIATION,
Bloomfield, N.J., May 24, 1966.

HON. GEORGE A. SMATHERS,
U.S. Senator from Florida,
Washington, D.C.

MY DEAR SENATOR SMATHERS: With your own New Jersey background, we know you are well aware of the plight of many of our Retired Educators in our State, due to inadequate income.

The rising Cost of Living has vitally affected all of us, and while our State has enacted legislation from time to time to adjust pensions to the cost of living, no such adjustment has been made for any educator who has retired since 1955.

As you know, The National Consumer Price Index for the United States, as researched by the U.S. Bureau of Labor, using the 1959-61 years as the index of 100, has risen to an expected 113.5 for 1967, with no resultant increase in our State Pensions. Consequently, we shall indeed be more than grateful to you if your Committee on Aging will do nothing more at present than merely TO PUBLICIZE THESE FIGURES, we feel sure that future legislation will follow.

We certainly agree with your publicized philosophy that those of the middle-age generation who are heeding the Biblical injunction to "honor thy father and mother" should be given the benefit of greater tax exemptions, which would indirectly enhance the economic and spiritual security of their elders.

We congratulate you on your excellent personal record of voting on issues involving our Senior Citizens. We do trust your political future will be enhanced thereby, to say nothing of your own conscience being its own reward, on these enactments so important to the welfare of all of us. I voice the gratification of all of our 12,300 educators on the State Pension Rolls of New Jersey.

Sincerely,

CHARLES V. ANDERSEN, *President.*

CHATTANOOGA, TENN., May 20, 1966.

Senator JENNINGS RANDOLPH,
Chairman, Subcommittee on Employment and Retirement Incomes, Senate Office Building, Washington, D.C.

DEAR SENATOR RANDOLPH: In the April 1966 Bulletin of the Section of Taxation, American Bar Association, at page 81, it is stated that the assistance of the Tax Section and its members has been requested by your Subcommittee in connection with the subject, "Federal Tax Changes Needed to Improve Economic Status of the Nation's Elderly."

As a member of the Tax Section I am writing to suggest for your Subcommittee's consideration a tax change in this area.

Under existing law, taxpayers generally may deduct expenses for medical care only to the extent that they exceed 3 percent of adjusted gross income. Also, in the case of medicine and drugs, taxpayers generally may take into account only the aggregate of the amounts paid in excess of 1 percent of adjusted gross income. However, the 3-percent and 1-percent limitations are not applicable in the case of expenses paid (1) for the care of the taxpayer and his spouse if either has attained age 65 before the close of the taxable year; or (2) for the care of a dependent mother or father of the taxpayer or his spouse, if such mother or father has attained age 65 before the close of the taxable year.

The Social Security Amendments Act of 1965 amended Internal Revenue Code § 213, effective January 1, 1967, so as to apply the 3-percent and 1-percent limitations without regard to age, and so as to provide for all taxpayers who itemize their deductions, a deduction, without regard to the 3-percent limitation, of one-half the cost of medical care insurance for the taxpayer, his spouse and his dependents, but not to exceed \$150.

Thus, effective next January, many persons past 65 will be effectively denied deduction of their medical and drug expenses because of the 3-percent and 1-percent limitations, and an elderly couple will be allowed to deduct first dollar medical expense insurance premiums of only \$150.

The rationale of this change in the law, that originated in the House of Representatives, was, in essence, that in view of the substantial benefits afforded under Medicare, the mentioned deductions were no longer necessary and it was desirable to recoup some revenue to help pay for Medicare.

This argument seems to me to overlook that the Medicare program makes no provision for certain significant expenses:

1. Private duty nursing or other private duty attendant.
2. Out-of-hospital drugs and biologicals—unless furnished as an incident to physicians professional services.
3. Physical checkups, eye glasses, hearing aids, immunizations, dental care, custodial care, cosmetic surgery, personal comfort items, any other items or services not reasonable and necessary for diagnosis or treatment of illness or injury, or to improve functioning of malformed body members.

Additionally, it is submitted that \$150 is inadequate to cover premiums for insurance that many elderly couples should carry to provide the needs just specified, and to pay for hospital private room care not generally available under medicare.

The arguments in favor of applying the 3-percent medical expense and the 1-percent drug expense limitations to persons over 65 did not prevail in the Senate Finance Committee. In rejecting the change in the law enacted by the House of Representatives, the Senate Finance Committee (Senate Report No. 404 June 30, 1965) stated:

"One provision of the House bill which the committee was unwilling to accept would have narrowed the deduction for medical care expenses of taxpayers (or dependent parents) age 65 or over to the amount of such expenses in excess of 3 percent of their adjusted gross income. Medicine and drug costs included in medical care expenses also would have been restricted to the amount in excess of 1 percent of adjusted gross income.

"The committee is not willing to increase the income taxes of aged, ill, and infirm taxpayers who provide for their own medical protection. We point out that as recently as last year in the Revenue Act of 1964 Congress repealed the provision which limited their medicine and drug expense to the amount in excess of 1 percent of their adjusted gross income. The reports of both the House Ways and Means Committee and the Committee on Finance of the Senate explaining last year's amendment noted the simplification which elimination of the 1-percent

limit would achieve and expressed our common belief that it was 'undesirable to impose any minimum limitation with respect to the deductibility of medical expenses in the case of the aged.'

"By deleting from the House bill these features which imposed new limits on medical expense deductions of the aged, the committee restates its position of last year."

Unfortunately, in Conference, the House of Representatives position prevailed, and the law was enacted, effective January 1, 1967, denying to the elderly first dollar deduction of medical and drug expenses.

I submit that the House was wrong on this question, and that the Senate was right. If your Subcommittee should agree, remedial legislation could be enacted this year to prevent the scheduled denial of deductions from becoming effective on January 1, 1967.

I do feel that the provision according first dollar deduction of medical insurance premiums, not to exceed \$150, to persons below the age of 65, is in the public interest, and ought to be retained.

Very sincerely yours,

DUDLEY PORTER, JR.,
Attorney at Law.

NORWOOD PARK HOME,
Chicago, Ill., May 17, 1966.

HON. GEORGE A. SMATHERS,
*Chairman, Senate Special Committee on Aging,
Washington, D.C.*

DEAR SIR: This refers to your release dated May 14th, having to do with the "Tax Consequences of Contributions to Needy Older Relatives." We are very much interested in that a Committee is now going to investigate this problem of the support of children to their aged parents.

Based on our 17 years experience as the Administrator of this Home, it is our considered opinion that some definite relief other than the one exemption allowable by the Internal Revenue Department for the support of an aged relative should be considered. As you know this exemption amounts to \$600.00 and does not begin to nearly meet the outlay that is in many instances necessary for the aged or infirm parent. While it is true that in recent years some allowance has been made for the expenditure of medical expenses for an aged parent, the burden of proof to the child has been of such nature that in many instances it is almost impossible to break this down as to what constitutes actual medical expenses.

We are operating a Home for the Aged having been in existence since the year of 1896, we have in connection with our Home a most excellent infirmary section of 75 beds, and we have not as yet attempted to break down our cost of operation with respect to ambulatory and infirmary beds. We have established a basic cost of \$225.00 per month for ambulatory services and \$250.00 to \$350.00 per month for infirmary services.

Assuming that a child has a parent in our infirmary section, he may be faced with a fee of \$3000.00 to \$4200.00 per year, depending on the facility used and the amount of nursing care required. In many instances, children are liable for these fees, it does not take a Certified Public Accountant to ascertain that with a \$600.00 exemption allowance for the responsibility of the support of the parent, that the child is not in a very good position with respect to his payment of taxes. It is true that where medical services can be broken down, Internal Revenue Service will recognize all of such expenses at the present time, but whether or not they will recognize all of these expenses in addition to the \$600.00 exemption is not too definite.

The argument may be raised that we should be in a better position to determine our costs. This may well be, but in our ambulatory section of which we have 65 beds, we are certain that there is not one of these ambulatory residents who does not get some medical care during the course of the year, and this not of a minor consequence, but in many instances are served daily to some degree by our nursing staff, in many and various ways. Accordingly it is not practicable for us, at the moment, to attempt to break these costs down to a situation where we would actually be able to prove without any equivocation that the costs were as they were stated to be. Accordingly we prefer to operate on the basis of an overall cost per bed system.

This, of course, is of no help to the child who is supporting his parent at the time that he is filing his income tax return, and is required to get a complete breakdown of the medical services required for the parent.

The quotations listed in your release, therefore, come as a very encouraging factor to us in this field, inasmuch as we are almost daily faced with the problem of how best to advise children—and especially those who are willing and able to pay for their parents as to how they will come out in their tax structure.

It is apparent on the basis of this news release that you are going into this rather deeply and we have no doubt but what some very important legislation may undoubtedly originate through your efforts.

We commend you for your thoughtfulness, and we look forward to more information coming out of your Committee.

Thank you very much for having included us on your mailing list to keep us informed of the happenings within your Committee.

Very truly yours,

A. GARFIELD STENSLAND.

NORWOOD PARK HOME,
Chicago, Ill., June 20, 1966.

HON. GEORGE A. SMATHERS,
Chairman, Senate Special Committee on Aging,
Washington, D.C.

DEAR SENATOR SMATHERS: We have just come upon another case and since it is a current one, and further since it would have a distinct bearing on your present discussions, we are again taking the liberty of writing you fully concerning it.

The case concerns a 99 year old mother of a retired [man]. She has been a resident in our Home in the full infirmary section since August of 1964. The rate charged her is \$300.00 per month so that the son has had a complete liability of \$3600.00 a year to pay for his mother.

This son is an only child and is now at 75 years of age, his wife is still living. . . . He is still able to conduct his own affairs as such, but being retired he obviously has no income other than what he has been able to accumulate through . . . savings, and undoubtedly has income through investments which he may have made during his earlier years.

They live in modest circumstances, we would say middle-class personalities. In discussing this case with his wife a few days ago, we were informed that at the time of filing his tax return the only allowance that Internal Revenue would give him was a \$600.00 exemption for his aged mother, which to us is totally unfair. He has made several appeals, but to no avail.

Our purpose in writing you further concerning this is because of the fact that this is a current case presently being handled in the manner in which you are decidedly interested and one that certainly requires further consideration in connection with the filing of his tax return.

Since he is an only child there is no other person that he can rely on to contribute anything towards his mother's care, she is totally without funds, even to the point of receiving no Social Security, and because of this fact, obviously he is entirely responsible for her care and maintenance.

Within the next two months he will have paid out a total of \$7200.00 for her care, for which the Internal Revenue Department has allowed him a \$600.00 exemption for each year. He has made no appeal to us for consideration in the changing of our fees for our services, but in speaking with his wife recently, she brought this out in a very pointed manner, that a person of themselves attaining to the age of 65 is immediately granted an extra exemption for \$1200.00 by the Revenue Department, however, should a child be supporting a parent 65 or over, the Internal Revenue Department and the regulations say that you will be allowed one exemption for your support and maintenance of the aged parent.

It seems logical that the least they could do would be to grant an additional exemption to a person 65 or over on the same basis were he filing his own return. In other words, assuming that I would be supporting an aged parent that I would be granted \$1,200.00 exemption for the support of that person, this would at least assist in a small manner, however, we believe that a situation such as the one just cited, where this 99 year old person is in our infirmary section and requires complete nursing care, being in bed 99% of the time, that the entire amount should be allowed as a deduction for medical expenses for that person irrespective of the \$600.00 exemption.

We have no way of telling how long this might go on as a liability for this retired man, but in any event, this story should give you further food for thought

in your committee deliberations, and we again appreciate the opportunity of having brought this to your attention.

As an aside we might mention that on December 15, 1966, we will have had one person in our infirmary section who has been with us a total of 15 years, and the sum total collected for her care and maintenance is in the neighborhood of \$45,000.00. This, of course, is an unusual case, but if you or I were responsible for the payment of these fees, you can rest assured that we would be taking the aspect of buying a dead horse for the sums expended not withstanding that we were supporting a blood relative. This we believe also merits some consideration.

Thank you again for lending us your ear to hear of these stories.

Very truly yours,

A. GARFIELD STENSLAND, *Administrator.*

(The committee directed an inquiry to Commissioner Sheldon S. Cohen of the Internal Revenue Service, based upon the foregoing letter, and received a reply from Commissioner Cohen, as shown by his letter which follows:)

U.S. TREASURY DEPARTMENT,
INTERNAL REVENUE SERVICE,
Washington, D.C., August 3, 1966.

HON. GEORGE A. SMATHERS,
Special Committee on Aging,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: In your letter of June 22, 1966, you requested information concerning: (a) the type of facility which qualifies as a medical institution so that the cost of care therein will be an expenditure for medical care; and (b) the provisions of the "Child Care Deduction" with respect to institutional care of older relatives and the applications of this deduction to the specific case outlined in your enclosure.

Section 213 of the Internal Revenue Code permits a taxpayer to deduct (subject to certain limitations) expenditures for medical care. Medical care is defined, in pertinent part, by section 213(e) as amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body. Section 1.213-1(e)(1)(v) of the Income Tax Regulations provides that the cost of in-patient hospital care (including the cost of meals and lodging therein) is an expenditure for medical care. The extent to which expenses for care in an institution other than a hospital shall constitute medical care is primarily a question of fact which depends upon the condition of the individual and the nature of the services he receives (rather than the nature of the institution).

Questions of fact are determined by the district directors of internal revenue upon the merits of each case. However, the Regulations (at section 1.213-1(e)(1)(v)(a)-(b)) provide the following guidelines for these determinations. Where an individual is in an institution because his condition is such that the availability of medical care in such institution is a principal reason for his presence there, and meals and lodging are furnished as a necessary incident to such care, the entire cost of medical care and meals and lodging at the institution, which are furnished while the individual requires continual medical care, shall constitute an expense for medical care. For example, medical care includes the entire cost of institutional care for a person who is mentally ill and unsafe when left alone. Where an individual is in an institution, and his condition is such that the availability of medical care in such institution is not a principal reason for his presence there, only that part of the cost of care in the institution as is attributable to medical care shall be considered as a cost of medical care; meals and lodging at the institution in such a case are not considered a cost of medical care for purposes of this section. For example, an individual is in a home for the aged for personal or family considerations and not because he requires medical or nursing attention. In such case, medical care consists only of that part of the cost for care in the home which is attributable to medical care or nursing attention furnished to him; his meals and lodging at the home are not considered a cost of medical care.

Section 214 of the Code allows certain taxpayers a deduction (the child care deduction) for amounts spent, with certain limitations, for the care of one or

more dependents. In order for an expense to be deductible under section 214, it must meet three conditions: First, the expense must be for the care of a dependent; second, it must be for a dependent's care while the taxpayer is gainfully employed or in search of gainful employment; and third, the expense must be for the purpose of enabling the taxpayer to be gainfully employed. In determining whether an expense meets these conditions, all the facts and circumstances of the case must be taken into consideration.

The phrase "expenses for the care of a dependent" means amounts expended for the primary purpose of assuring the dependent's well being and protection. It does not include all benefits which may be bestowed upon him. Accordingly, amounts expended to provide food, clothing, or education, are not, in themselves, amounts expended for "care" so as to be deductible under section 214. However, where the manner of providing care includes payments for other benefits which are inseparably a part of the care, the full amount of the expense is considered as incurred for care. Thus, the charges for a home for the aged is often deductible under this section.

This deduction is available only to the following classes of taxpayers:

1. Any working woman;
2. Working widowers (which includes, under section 1.214-1(b)(1) of the Regulations, divorced and legally separated taxpayers);
3. Husbands of incapacitated or institutionalized wives.

With respect to the illustrative example, contained in the June 20, 1966, letter to you from the Norwood Park Home, enclosed in your letter, the son, whose mother is in the Norwood Park Home, is not eligible to take the "child care deduction" as he does not meet the requirements of section 214 of the Code, as outlined above.

There are enclosed, for your convenience, copies of Documents No. 5020 and No. 5052 dealing, in greater detail, with the subject deductions.

With kind regards,
Sincerely,

SHELDON S. COHEN, *Commissioner.*

LAW OFFICES,
BOYLE, WHEELER, GRESHAM, DAVIS AND GREGORY,
SAN ANTONIO, TEX., *June 23, 1966.*

HON. GEORGE A. SMATHERS,
Senate Office Building, Washington, D.C.

DEAR SENATOR SMATHERS: I see from the news that you are furthering legislation to give relief to those persons supporting parents, apparently by way of an additional exemption if such person is over age.

I think anything you could accomplish to alleviate this situation would be very helpful and I urge you to continue your actions in the matter.

Yours very truly,

RUPERT N. GRESHAM.

APPENDIX C

REPRESENTATIVE LETTERS ON HEARING, RECEIVED BY COMMITTEE

ALABAMA

2001 SOUTH 13TH AVENUE,
Birmingham, Ala. 35205, May 20, 1966.

DEAR SENATOR SMATHERS: According to the attached clipping, your Committee on Aging is considering some changes to encourage children to help support their parents.

I would like to call your Committee's attention to an interpretative position taken by IRS which is patently unfair, and in my opinion contrary to law, or at least, contrary to the intent of Congress.

In 1961 I claimed my mother as a dependent, all requirements for this claim being apparently appropriate. I was advised by the Jackson, Mississippi, IRS office that I could not claim my mother as a dependent since she had a *gross* income in excess of \$600.00. She rents two small apartments and received some \$1,000.00 in rents for the year. The expenses of operating the apartments was about \$700.00, leaving her an income of about \$300.00. This was her sole income, except for contributions by me and my brothers.

In the above case, it was ruled that her *gross* income for purposes of the exemption was \$1,000.00. In answer to a specific question, I was advised by the auditor that a parent who actually sustained a *loss* on rents or other type of business could not be claimed as a dependent if the total receipts from the activity exceeded \$600.00.

I checked this position with two IRS agents who are personal friends, and also with the chief of the audit section in Jackson, and was advised that the above is correct. I had to pay back taxes with interest.

* * * * *
Sincerely yours,

LOUIS F. PROVINE.

ARIZONA

JUNE 22, 1966.

HONORABLE SIR: It is with interest I read of your attempt to get some idea of the hardship involved in taking care of elderly parents.

At the present time, my husband, a Technical Sergeant in the U.S.A.F., supports my mother, who is on social security. Up until 15 June, his take home pay was 170.00 every two weeks. Out of this we pay house payments, utilities, food etc for five people. Yet we cannot deduct mother's expenses on income tax and have her as a dependent.

Thank you for efforts on our behalf.

Sincerely,

[Name withheld.]

ARKANSAS

(See letter from Otis R. Holloway on p. 63.)

FLORIDA

MAY 16, 1966.

HON. GEORGE SMATHERS,
Senator from Florida,
Washington, D.C.

DEAR SENATOR SMATHERS: Attached is a photo copy of an item . . . concerning the hearings you will conduct . . . on "Should you get a tax break if you help support your mother and father?"

For many years I have been asking the question of the Internal Revenue Department—"Am I entitled to more than \$600.00 exemption for my mother who is now 90 years of age, and in view of her needs?". Each time the answer has been "No".

Being a widow myself for many years and maintaining a home for my mother and myself, I have felt for so long that I should have a better tax break. I am pleased that you are interested in this problem, and I do hope you will be successful in giving relief not only to myself but to so many others in similar circumstances.

I do hope you are enjoying your usual good health.

My very best wishes to you.

Sincerely,

[Name withheld.]

[Telegram]

HON. GEORGE SMATHERS,
U.S. Senate, Washington, D.C.:

Your interest and help in investigating possibility tax relief for persons helping to support elderly parents very much appreciated. Action urgently needed. My mother receives small Government pension which is insufficient and I am unable to claim as dependent. Suggest perhaps old maids living with a parent be allowed to make joint return with them similar to man and wife. Thank you for anything you can do to relieve this very bad situation which has existed in my case for over 30 years.

[Name withheld.]

ST. PETERSBURG, FLA., *May 18, 1966.*

DEAR SENATOR SMATHERS: I endorse the hearings of the Senate's Special Committee on Aging, seeking ways and means to ease the federal tax burden of children contributing to the financial support of their parents and/or older relatives.

I have often pondered the equity of our federal tax law which does not provide for the deduction of financial contributions made by children to their parents or older relatives in the form of a tax exemption, unless all the criteria of the federal tax law are met. (e.g., "received less than \$600.00 income"; "received more than half of his or her support from you, or from husband or wife if a joint return is filed.")

The law prohibits a \$600.00 tax exemption to a child, if the parent he helps support, had an annual income of \$600.00 or more, although the parent's child may have contributed more than half of the parent's support. To illustrate this standard, if a parent had an income of \$601.00 per annum, the child is not entitled to a tax exemption on his federal tax return, even though the child may have contributed over half of his parent's financial support, e.g., \$602.00. Conversely, if the parent has an income less than \$600.00 per annum, but does not receive more than half of his or her support from the child, the child is not entitled to a tax exemption. To illustrate: if a parent has an income of \$599.00 per annum, and the parent's child contributes \$598.00 to the parent's support, the child is not entitled to a tax exemption for that parent.

In my intellect I feel that this is an inequity of the federal tax law.

I advocate a legislative change in the present federal tax law, which will grant a tax exemption, or portion of a tax exemption, to a child who contributes to the support of his parent or parents, or an older relative.

In this context, I have no mathematical formula to advance in order to achieve an equitable tax exemption, but I urge you to seek a formula, or rule, which will bring equity to our federal tax law.

Yours truly,

RALPH E. ROBBINS.

DEAR SENATOR SMATHERS: * * *

I am principally concerned with reference to "Those who support their parents—and really get no tax break." The reason for this is because the parents they support can only earn up to \$600.00 annually and, as I see it, *unless this amount is increased along with the double exemption*, these taxpayers would not benefit one iota. Permit me to submit an example which I trust will clarify my reasoning:

I am unusually blessed with a daughter and her husband, who, rather than have my wife and I seek welfare, have furnished us with a home which we have lived in for the past 11 years *rent-free*, and one which would easily rent for \$1500.00 annually. The husband is a working man and they have made this sacrifice for us in our old age. My wife is 79, and has no income other than the minimum \$44.00 monthly S.S. check which is also the same as I receive. They claim her as a dependent and receive the benefit of the tax on the \$600.00. But in my particular case it is different: In spite of my 81 years I am fortunate to hold down a One-night-a-week job as a night watchman for 9 months of the year. The total salary is close to \$700.00, and as a consequence they cannot claim me as a dependent on account of my earning over \$600. This in spite of their furnishing us a home rent-free, paying mortgage interest, taxes, utilities, keeping the home in repair and occasionally sending us money for support. In this my particular case, and if the earning limit were increased to say, only \$800.00, then my people could claim me as a dependent, and in the event the exemption was doubled would receive the benefit of the tax on \$1200.00, whereas right now they are without any benefit at all. So I cannot overemphasize the importance of an increase in the earnings of the dependent before the doubling of the exemptions would be of any benefit in this case as I have humbly presented it. Your careful thought in this direction will be highly valued and appreciated. With highest regards,

Sincerely,

[Name withheld.]

MAY 20, 1966.

DEAR SENATOR SMATHERS: I am glad to note from [the news] article which appeared recently * * * that a Senate special committee will investigate the possibility of tax relief for persons who help support their elderly parents. Certainly this is something that requires attention, considering the inadequate pensions of many elderly citizens and the high cost of living.

May I suggest that one of the first things to be done to help in this situation would be to correct General Instructions for Completing Form 1040 to the extent of clarifying tests to be met for claiming dependents. On page 4 of the General Instructions there is a stipulation that every dependent must meet *all* of certain tests, including:

"1. *Income*.—Received less than \$600 income (if the child was under 19 or was a student, this limitation does not apply)."

This should be corrected to stipulate also that this limitation does not apply to an elderly parent who receives more than half of his or her support from a child. The instructions have been most confusing to many people who help support elderly parents, and I know for certain it has prevented some tax payers from claiming parents as dependents when they were entitled to do so.

It would indeed be helpful if this particular item could be corrected promptly.

I wish the Committee much success in its worthwhile endeavor.

Your very truly,

[Name withheld.]

MAY 19, 1966.

DEAR SENATOR SMATHERS: * * *

As one who knows what the present inequities in the tax laws can mean to the many sons and daughters of aging parents who have to help their parents financially, I thought you might be interested in receiving some more specific information about our own case.

* * * my mother * * * and my father have a total income of \$217 a month from Social Security. Until the past year, this has sufficed to take care of all of their needs, except for house payments, which I have taken care of. This past year, however, my mother broke her leg, which meant that she had to give up a small, part-time job she had, and which resulted in considerable expense for

medical care, nursing care, etc. Also during this past year, my father's health has been getting progressively worse * * *. Just since November of 1965, he has been hospitalized four times, still has frequent medical attention, has to have complete oxygen equipment in his bedroom, and has a variety of drugs, which come to about \$60 a month, not including the cost of oxygen.

All of this means that in addition to monthly house payments of \$88.35, I have also had to assume practically all of the medical costs, as well as various other costs which unexpectedly arise from time to time when one is a home-owner. I also have monthly payments of \$62 on my automobile, which I had to buy in order to give my old car to my parents for transportation when their former car (which I had also purchased for them, by the way) went the way of all flesh. To cover this mounting expense, last year I took out a loan on my G.I. insurance to cover one emergency, then took out a bank loan to handle another emergency, and, finally, when things got too rough, I found it necessary to resign my position * * * which I loved and found to be extremely challenging so that I could accept a less-challenging and less-interesting position * * * strictly because the housing and slightly larger salary offered amounted to enough more to keep out of the red side of the ledger.

I certainly do not begrudge anything that I have been able to do for my parents; however, it would be such a help if I could either take one or both of them as dependents or if the medications could be covered in some way.

As it stands now, I am 45 years old, single, have no savings whatsoever, have no pension benefits to look forward to, and can only look forward to my own old age with nothing but Social Security to take care of my needs. This is not a very comforting thought, but as long as my parents are alive (and I hope they live to be 100!), I expect to continue living from one payday to the next due to the need for me to assist them.

I know that there must be many people in the same boat as I am in, as well as many who are married and have families of their own to take care of, and it would certainly be helpful to our particular class to get some help through revision of the tax laws, as well as some action pertaining to the problem of high cost of medications. Another thought which might be inserted is trying to estimate how many sons and daughters have kept from marrying because of their unwillingness to saddle a mate with support of in-laws. If my parents ever asked me if this had caused me to remain single, I would be the first to deny it, but it is a major reason in my case.

I shall be watching the progress of your hearings with real interest and I am sure that the results will be gratifying to all concerned. Thanks so much for your interest in the problem!

Sincerely yours,

[Name withheld.]

MELBOURNE BEACH, FLA., May 25, 1966.

DEAR SIR: * * *

I feel that persons who totally or partially support relatives should be allowed full deductions for this on their taxes. Surely, support of these relatives is worth \$600.00 deduction which in itself is less than it costs today to support any individual, young or old. I feel that any contribution should be deductible, even tho these relatives have other income.

* * * * *

Thank you.

Very truly,

ELEANOR E. DILLON, Broker.

MAY 23, 1966.

DEAR SENATOR SMATHERS: I must admit I do appreciate your idea of initiating a bill to give us younger folks a break about supporting our older kin, who live with us, which they cannot live on their small earnings alone. I feel after 5 yrs: of helping my older mother, I could certainly use some help on my income tax. My small monthly earning is only \$209.00 a month. With increases in food, taxes, but no increases in our salaries. . . .

Thank you.

[Name withheld.]

MAY 16, 1966.

DEAR SENATOR SMATHERS: This is written in response to your invitation to your constituents to express their views regarding the "Tax Consequences of Contributing to Needy Older Relatives".

First, let me say I appreciate your investigating this problem * * *

My mother * * * a widow aged 95, is a resident of the * * * convalescent home. She has been there since Jan. 1965 when we found the burden of caring for her at home well nigh impossible from a psychological and physical standpoint. It costs about \$4000 annually for her nursing home care and other personal expenses. As an offset against this, Internal Revenue allows me a \$600 exemption and her medical expense deductions. Together these reduce my income tax about \$250.00 annually.

Soon my wife's aunt * * * (age 74) will also enter the same * * * convalescent home. My income is sufficient to support these expenses at present. So I feel lucky that my wife and I can take care of our own people under present circumstances.

I'm sure that there are many middle-aged couples with similar (or greater responsibilities) and much less in the way of financial resources. Thank goodness for Medicare! Any additional easing of the tax burden laid upon children for aged parents will be appreciated universally, I'm sure.

It would be simple justice if the Federal Income tax would "forgive" that portion of taxable income paid out as support for aged parents * * *

The middle years are very hard; I'm looking forward to my old age for some relief and relaxation * * *

Yours truly,

[Name withheld.]

DEAR SIR: I note that you are serving on a very important Senate Committee on Aging to investigate possible enactment of legislation that will provide tax relief for those who contribute to the support of elderly parents.

A few years ago, I wrote you regarding the provision of two (2) deductions rather than one for elderly parents. Husbands and wives over 65 are permitted two deductions whereas, one supporting a parent over 65 is entitled to but one exemption for the parent.

Since I have an elderly mother to whom I contribute most heavily for her care, I am personally concerned with the presently inadequate provision for tax relief. I should like to suggest 2 exemptions be allowed for the elderly parent as a help.

I think you are serving on a very important committee.

Most sincerely yours,

[Name withheld.]

(Three other Florida letters appear in appendix A, on pp. 33, 35, and 36.)

ILLINOIS

MAY 18, 1966.

DEAR SENATOR SMATHERS: I read in the paper, that you were going to conduct the hearing on a tax break for "children that honor their parents."

I feel there is a real need for legislation on this matter. We help support my mother, and my mother and father-in-law with *no tax break at all*. It is pretty revolting when others in the family should help, could help, and won't. My husband has to work two jobs or we couldn't. My father-in-law (age 80) just had an operation (no medical or hospital insurance) so we had to dig up over four hundred dollars for that. Believe me, it's really rough.

I truly believe a tax break for people caring for their parents is a real necessity and is long overdue.

Thank you.

[Name withheld.]

(Other letters from Illinois appear in appendix B, on pp. 38, 45, and 46.)

IOWA

(A letter from Iowa appears in appendix A on p. 36.)

KANSAS

MAY 20, 1966.

DEAR SENATOR SMATHERS: I read in the Kansas City Star that you are going to conduct hearings on whether, to quote the Star, "Those who honor their mother and father should receive more lenient treatment at tax time than those who refuse to contribute to their elders' support." This is a subject dear to my heart. I am writing to tell you my feelings, and to support you in your efforts to achieve the goal quoted above.

My parents were both very poor, and my father died when I was 14, leaving my mother in poor health with four children to bring up. I worked my way through college, but the other three children were unable to do this. Now my mother is in very poor health. My wife's parents were also poor. They are also aged. Several times during our married life, my wife and I have built up a little pool of savings, only to see it go to pay for medical operations for my mother. More recently we have contributed \$60 a month to her support. Now we are beginning to contribute to the support of her parents, and to help them pay for their "Medicare".

As far as I am concerned, the government, by its many social welfare programs, is taking through taxes my money and distributing it around to help all the old people. By this means it weakens my ability to take care of my own mother, and my wife's parents. Down through the years, I have been unable until recently to deduct anything for the many contributions made to my mother; especially her hospital bills. What I resent most is that I cannot do more for her and for my wife's parents because the money is being taken by the government and used in many cases to support other people's parents, when they do nothing for them. Or it is being used to support persons elsewhere in other countries, when our own parents need the money. I believe therefore that some kind of tax break for those who are supporting their parents should definitely be instituted, not only as a matter of helping the general situation for the aged, but because it is fair and right in view of the situation I have mentioned.

Therefore I most earnestly encourage you in your program, and trust that it will meet with success.

Respectfully yours,

[Name withheld.]

LOUISIANA

MAY 28, 1966.

DEAR CONGRESSMAN: * * * I would like to tell you my situation, for what it may be worth to you in your study.

Papa is 88 years old, has been a widower for 26 years, and has no savings. He owns no property or car. He is living in a Nursing Home, paid for partly by the State Welfare Board and partly by his Social Security check. He has \$17 a month spending money. By the time he gives his Church a dollar every Sunday, pays for his dry cleaning, shaving cream and blades, has a pair of shoes resoled, and maybe buys a couple of pairs of socks, there is nothing left. I have been paying his Hospitalization insurance, his Medical Insurance; also his visits to the eye doctor, when necessary, as well as over \$300 this year for his hearing aid. He hasn't had a new suit in years except that someone gave him one; shirt, pajamas and handkerchiefs are usually gifts.

Now when it comes time to file my Income Tax return I can deduct nothing for him because I do not furnish more than half his support. I am not complaining, but my understanding was that you wanted some facts, so I am passing them on to you.

Very truly yours,

[Name withheld.]

MASSACHUSETTS

DEAR SENATOR SMATHERS: I am writing you in regard to the special hearings about "adults ignoring their obligations to assist older relatives." I will cite my own case in regard to this matter.

My mother is 73 yrs. old. She gets assistance from the veterans, but this is not enough to let her live a comfortable life in her old age which she is well deserving of.

I am perfectly happy to be able to contribute towards the support of my mother but I will never understand why I am not able to take her as a dependent on my Income Tax.

We live in a housing project. The rent is based on my salary (before taxes) plus my mother's pension. I am also forced by the State of Mass. to contribute \$17.00 a month towards my mother's medical bills. My mother has ulcers, her sight is bad, and also she has arthritis. Because of the last two ailments, if she wants to go anywhere she has to travel by cab. None of these expenses are taken into consideration and as you know over a period of a year, these little things can add up.

My only concern is it just about takes my salary plus my mother's pension to live. This leaves me unable to try to save for my own "old age." How will I end up—a burden to the government? I would think in the long run the government would be better off to give a little consideration to someone in my position. (I know there must be many others in the same position as I am.)

* * * * *

Thank you for taking the time to listen to my complaints.

Very truly yours,

[Name withheld.]

(Another letter from Massachusetts appears in appendix B, on p. 40.)

MICHIGAN

HON. GEORGE A. SMATHERS.

DEAR SIR: An article written by Robert Peterson appeared in the Detroit Free Press on this date concerning children of the aged, which concerns me. . .

My aged mother 84 has been receiving quite a bit of her support from my aid to her, as I am the only son. I am now 65 and for the last several years I have contributed to help her along, she has \$40 a month Social Security and a very small income from a farm on which she resides, and has share cropped receiving $\frac{1}{3}$ of crops which amounts to 5 to 6 hundred dollars in all, her total income is 1,000 to 1,200 dollars including Social Security.

I help her maintain upkeep on the farm and pay for all improvements also help her to the cost of approximately 600.00 a year from my earnings, also I have to keep a man for his room and board to be with her in case of emergency, as I don't think any one would expect her to be left alone.

I am happy to pay my Income tax on the pension I receive, but do believe as you, some consideration should be given, to persons who do help take care of their parents.

So I do hope you and the Committee on aging come up with some honorable relief for the honest who are taking care of aged parents.

So Hon-Senator from Florida you are on the right track, so push forward as I am one who supports your idea, and do it honestly.

So do all you can, so the ones of us that are affected can continue to honor their parents, with at least a few things in their remaining days.

Thanking you,

I remain,

MR. PEARL R. STITES,
Detroit, Mich.

MINNESOTA

MAY 18, 1966.

Senator GEORGE A. SMATHERS,
Chairman of the Senate Special Committee on Aging,
Washington, D.C.

DEAR SENATOR SMATHERS: I have read with a great deal of interest your news release dated Sunday, May 14. I am certainly very much in favor of changing the income tax credits so that those paying taxes will get credit for whatever share of money they contribute toward the support of elderly parents or relatives.

It hardly seems fair that credit will be given by the Internal Revenue Department unless the taxpayer takes care of all or most of the support of the elderly parent or relative. If the taxpayer gives \$1,000 to charity he can receive full credit for this but if he gives \$1,000 toward the support of an elderly parent that it is costing \$3,000 to \$4,000 a year to keep—then he receives no credit for the \$1,000. This hardly seems just.

I have had this for a personal experience as I have for a number of years helped support aging parents of both my wife and myself.

You are on the right track, Senator, and I feel that the humane thing to do is to rectify the law so that those that do contribute receive some recognition at tax time.

Sincerely,

[Name withheld.]

MISSISSIPPI

MAY 19, 1966.

HONORABLE SIR: As the Senate will conduct hearings on a better tax break for support of their old ones. I beg and implore you to recommend a break for the loving care given us old folks by our younger ones—Truly can speak for your favor of the tax burdens imposed on them.

In my case, if my own grandchildren who I raised didn't provide for me, my little Social Security or welfare check would be all I had to live or exist on—not live as I did in the past—only got a \$4.00 raise and President gets \$3.00 per month for Medicare—and telephone Co. gets 41 cents federal tax plus 5 cent stamp for paying for telephone monthly. Have to have a phone as am 82 years of age, on wheel chair, and walker, have been in this fix for 8 years. My old home going to waste as I am. Am healthy enough and thankful for that. The two grandchildren are encumbered with their own families and a government owned home loan to pay.

The Grandson sends me a check each month. He is in Saigon for a year. His wife and two sons live in Columbus, Ga. He is trying to pay for his home too. My Granddaughter lives here near. She has four children—twins (a boy and girl), age 11 years, then a boy 10 years, then a girl 8 years. So I feel myself and old home a burden to them. But I do think they should have a tax break—and I pray you can get the break for all loved ones' sake. Do not know if she has ever filed me as a dependent but she should as she has to work to help me live and taxes do grow . . . So God bless you and my two grandchildren and theirs (children). So the best to you for all old folks, as they do need care.

Cordially,

[Name withheld.]

MISSOURI

KANSAS CITY, Mo., June 2, 1966.

Senator GEORGE SMATHERS,
Washington, D.C.

DEAR SENATOR: Your suggestion in Congress for a tax exemption for children who help support their parents even though they don't live with them, should be passed immediately.

So many mothers I know are in the same position as I.

My Social Security check is for \$70.00 and pension from First World War \$27.00, and you can't live on that and have self respect.

I lost my position as part time saleslady in a dress shop and several others were let out as they want younger women, and they evidently expect us to go on

relief or live with your children. This poverty program as I see it is all out of proportion. It doesn't make sense.

I have much pride, also know many people in K.C. and am very proud.

Some women I know didn't die of heart attacks but broken hearts.

Our children all want to help their children, but they should be given exemptions without having to pay half of their expenses.

Better rush this, it would be a very wonderful bill—and really much needed.

Sincerely,

Mrs. VIRGINIA L. ARMSTRONG.

MAY 20, 1966.

DEAR SENATOR SMATHERS:

* * * * *
At the outset I want you to know that both my late husband and I have been glad to pay our income taxes, both federal and state. We lived for some years in India as medical and teaching missionaries and had opportunity at first hand to see the kind of life lived by the Indian people. We appreciate the blessings of our own land and hence comes our complete willingness to pay taxes.

However, . . . my husband died unexpectedly and instantly of a heart attack. My yearly income now is between \$3500 and \$4000. I have a mother now eighty nine years old, Mrs. L, the widow of a minister. She lives at the above address in one of twelve cottages owned and operated by our denomination. These are rent-free to retired pastors and wives or widows of ministers. Mother's total income is \$720 a year minister's widow's pension and \$48 interest on \$1200 savings which she has reserved for her funeral expenses. From this it will not be difficult for you to gather that she must have support from her family to be able to exist at all.

Last year because she really *needed* it, I bought the following: a new kitchen stove, a new carpet for her living room, and a new TV portable, plus helping with her always considerable medical and doctor's bills. This was around \$700-\$800 over and above the household expenses which we shared equally. In spite of this, I could not count her as a dependent because of the way in which the law reads at present. She is a person in need and I am not affluent, but even though I am spending my money for her needs other than food as well as for household (which we still try to share half-and-half,) I cannot now as yet consider her legally a dependent. A change in the tax laws to accommodate such bona fide cases as ours, would certainly be only fair and just to such others as ourselves.

I sincerely hope that you will be able with your colleagues to do something to make the tax laws more equitable for those of us who are not seeking loopholes, but do wish fair treatment at the hands of the law.

Very cordially yours,

Mrs. F——

VERSAILLES, Mo., May 19, 1966.

MY DEAR SENATOR: I have read in our daily newspaper that you are chairman of the committee looking into a bill that would liberalize tax deductions for those of us who are trying to care for our elderly parents, and, due to the circumstances in which my wife and I now find ourselves, we believe such a bill has great merit and would be a boon to thousand of people whose situation is similar to ours.

In the fall of 1961 I was stricken with an incurable kidney ailment and was forced to sell my small country newspaper. Since that time I have been unable to work at all and, although she had never worked before, except in my business, my wife is now employed four days a week in two separate jobs to help us make ends meet. I am drawing disability Social Security, now \$128.40 per month, and we have some interest coming in from small savings accounts and the sale of our business but, believe me, in this day and age it's pretty tough going.

In addition to our own problems, we are assisting my mother, who has been in a rest home here for the past five years after suffering a shattered hip and whose assistance lacks \$70.00 per month of paying her way at the home. My wife's mother, now 92, suffered a broken hip some five months ago and we are assisting her financially also, probably in amounts ranging from \$40 to \$50 per month. My father passed away last June and since that time we have been paying installments on his funeral expenses and a doctor's bill of about \$600.

Under existing law we cannot take credit on our income tax for this assistance we are giving our old people and it would be most helpful if we could be given some relief, tax wise. We are not resentful of the fact that they need our help, but there are times when the load gets pretty heavy.

We are hopeful your committee will look with favor upon this proposed legislation and that a benevolent congress will effect its passage.

Respectfully submitted.

ROY E. OTTEN.

NEBRASKA

(A letter from Nebraska appears in appendix A, p. 37.)

NEW JERSEY

MAY 24, 1966.

DEAR SENATOR SMATHERS: I was interested to read in our New Jersey papers that you are heading a committee to look into the tax problems of people who are partially supporting their parents. I commend you heartily for being concerned about this and hope that you can be instrumental in alleviating some of the difficulties involved for people such as myself and my widowed mother.

Under the present ruling, it is necessary to prove that more than half of a parent's support is contributed by the child. My mother's taxable income is about \$200.00 a year. Her income from Social Security is about \$1,100. With the advent of Medicare and the fact that some of her medical bills, hopefully, will be taken care of by that system, it might be difficult for me to prove that I pay more than \$1,300 per year for her support, as her medical bills come to about \$400 per year.

Because my mother lives with me, it is not possible for me to economize in any way for my own future; by either having someone live with me to pay part of the rent, or by moving into smaller quarters. It would, therefore, make living and planning for the future a great deal easier if the present tax laws for people in my circumstances were not so stringent.

I feel that any parent on such a low income from whom the one who supports him receives no compensation, should be eligible for dependency status.

A more equitable system would allow any person who has a parent with less than \$1,800 a year annual income and who lives with him, to claim him as a dependent.

If I could be allowed to claim my mother as a dependent, I could invest some part of my income in either savings accounts or bonds which might enable me to be self-supporting when I reach retirement age. I could also make life a little more pleasant for her by not having to conform to a strained budget.

If single people such as myself are not allowed to claim low income parents as dependents, the "affluent society" we hear about, would remain only a dream to me.

I shall be following the reports of your committee with interest, and wish to say again that I think your committee should be praised for attempting to ameliorate a most unfair situation.

Sincerely yours,

[Name withheld.]

(Another letter from New Jersey appears in appendix B, on p. 43.)

NEW YORK

JUNE 20, 1966.

DEAR SIR: * * * Our mother 75 is a widow 18 yrs. She gets a small social security check, not sufficient to meet all monthly expenses, while maintaining an independent 3 rm. apartment for health reasons. We have all contributed to her support constantly, to make up the difference. * * * This has worked out

very well, until she heard Mr. Lyndon B. Johnson our President, make a remark to the effect, Social Security will be increased or should be. Sons and daughters are not responsible for their parents.

She has informed us, we don't have to help her anymore. I am writing this, because * * * we made a 3 room apartment available to her, at great expense to ourselves. This keeps her in normal environment she has become accustomed to. For a time she lived with my brother out in the country (an apt. over his flat) He met with an untimely death 2 years ago so rather than be in his widow's way, she expressed desire to come live in town. Seems, like no sooner my brother died 2 yrs. ago * * * my mother was on county relief to supplement income, needed to live as a tenant in my sister-in-laws house.

I was shocked, when I heard of it, told her she could come live in our 3 rm apt. free or pay what she could, but I would not have her on welfare.

* * * * *

Sir, I am trying to be a good American and I want my mother to be one. I hope you can see clearly, what a lowering of morale these propositions present. We younger people pay taxes, don't want increases, or we will all give up, and line up for the ultimate hand-outs. For more independent action and self-reliance.

I remain Sincerely,

[Name withheld.]

JUNE 2, 1966.

DEAR SENATOR SMATHERS: Although your suggestion that young people who contribute to the support of their elderly parents should receive tax aid comes too late to be of any assistance to the writer, I frequently did think during my encounter with the problem that it seemed unjust that there should be so much consideration for those who divorce their wives and so little for those who support their parents.

I suggest that those children who contribute to the support of their elderly parents be allowed to deduct the entire amount that they contribute to such support, and that they also be allowed a pro rata share of the dependency exemption for said parents in the proportion that each child's contribution bears to the total contribution of all children toward the full support of said parents.

I was delighted to see your proposal. Keep up the good work.

Sincerely,

[Name withheld.]

BROOKLYN, N.Y., May 19, 1966.

DEAR SIR: Allow me to apprise you of an inconsistent situation in the Federal Income Tax that your committee should consider.

Under the present law a taxpayer 65 years of age is allowed two exemptions for himself but for a dependent who is 65 or over only one exemption is allowed. Should the latter have an income of \$600, he is no longer considered a dependent, and must file an income tax report. Because of his age he can claim two exemptions for himself and therefore pays no tax.

I contend that the law should be changed to allow a double exemption for such a dependent.

During the past several months I wrote to my Congressman, John M. Murphy, to Congressman Emanuel Celler, Senator Jacob K. Javits and Senator Robert F. Kennedy regarding the above situation.

Rectification of the above inconsistency would benefit many taxpayers.

Respectfully yours,

ISADORE LEVY.

NEW YORK, N.Y., May 19, 1966.

DEAR SIR: I am 67 and have supported my mother (age 89) 100% for 20 years.

We were both born in U.S. and have been good citizens all our lives. I have been thrifty and am happy to say, that I am not needy, as my mother is, but have put aside, in the hopes that when I am older, I would not be a burden to my children. Her wants are becoming heavier as time goes by and now that she cannot manage alone, I am eating away my capital. You spoke of youngsters supporting older parents, but no mention was made of people my age 67 still supporting their elders, as they have lived longer than they expected, and had used up their capital savings.

A tax break, and raising the exemption would be a wonderful break. You would in the long run, not make us dependents in the future. God bless you for thinking of old age. Respectfully,

LUCY MORELL.

NEW YORK, N.Y., June 16, 1966.

Senator GEORGE SMATHERS,
Washington, D.C.

DEAR SIR: I read in the newspapers about the Senate hearing being held on the Federal tax laws in regards to aged parents.

In my case, being a single woman in my 40's, I live with my parents who are in their middle 70's. They have no income other than Social Security benefits. I have been claiming my parents as my dependents since my fathers retirement, about 10 years ago. Now for my 1964 income tax report, I was informed that I will not be allowed these dependents. They claim I do not make enough money or spend enough on them, according to their charts, to earn these deductions.

I would certainly like to be able to live by myself in my own apartment, and my parents would like to live by themselves, but our separate income does not provide for this luxury. Therefore, by living together and pooling our incomes we can manage sufficiently.

Now I have this added problem of being unable to claim my parents as my dependents. The questions they ask as to how much of my income is used to support my parents is certainly unfair. There is more to running a home than supplying food, board, clothing and medical expenses.

Perhaps if some special attention were given to this matter, there would be better relations between children and aged parents, and perhaps some people would be dropped off the welfare rolls.

I hope this letter will help in your hearings to help improve the tax structure for aged parents, and their children.

Very truly yours,

(Miss) B. SCHWARTZ.

(An additional letter from New York appears in appendix A, on p. 37.)

NORTH CAROLINA

(Two letters from North Carolina appear in appendix B, on pp. 40 and 43.)

OHIO

JUNE 2, 1966.

DEAR SENATOR: The Prentice-Hall Federal Taxes Report Bulletin in Paragraph 60,233, Volume 6, reported that the Senate Special Committee On Aging is holding hearings to find ways to provide tax aid for children assisting in the support of their parents. The paragraph indicates that the committee is interested in receiving suggestions.

As you know, Section 152 of the 1954 Internal Revenue Code provides that a taxpayer may claim an exemption for a dependent if two or more taxpayers provided more than one-half of the dependent's support. The problem your committee is concerned with is limited to cases in which the dependent parent receives more than one-half of his support either from income or from social security payments and pension payments.

It appears to me that it would be equitable to provide a deduction to persons who contribute less than one-half the support of aged parents by including in a bill a minimum percentage of support, such as 10 percent as in Section 152, and also including a maximum income of the receiving parent.

Legislation of this type should also include limitations similar to the limitations contained in Section 214 of the 1954 Internal Revenue Code which provides deductions to certain individuals for care of dependent children. It appears that the maximum deduction that should be allowed a person contributing to the support of a dependent parent should be the amount of the contribution, but

should be no more than \$600, the amount allowed as an exemption, and should probably be limited to \$900 in the event two parents are supported by the same individual. The deduction should also be reduced as in Section 214 by the amount the contributing child's income exceeds a certain minimum, such as \$6,000. In this manner the deduction will be limited to taxpayers in the lowest income group, the group most in need of this kind of help.

If I can be of any further assistance to you please let me know.

Very truly yours,

[Name withheld.]

JUNE 28, 1966.

HON. SENATOR GEORGE A. SMATHERS: I read in our local newspaper where you were opening hearings on the problem of tax laws discouraging aid to aging parents.

I seem to be one of those involved in the support of my 83-year-old mother as I am not allowed to claim her because of her tax free Social Security \$64.

I owe her more than I could ever repay, therefore, she lives here without payments to me, I wouldn't think of putting her in a rest home and I doubt very much if there is one in the entire country that would feed, clothe, pay doctor bills and buy medicine on her Social Security money. This money is hers to do with as she wishes, presents for relatives, insurance, bus fare, etc.

* * * * *

This is in protest against the unfairness of the present tax Statutes concerning aging parents.

Sincerely,

[Name withheld.]

PENNSYLVANIA

MAY 21, 1966.

DEAR SIR: Via T.V. news we hear you are interested in hearing about "parent support."

Briefly—my dad 85 and my mother 82 receive \$66.00 per mo. SS. that will go down to \$60 in July. They live in a four room, old house; with a coal furnace and city water, no other modern fixtures. They are neat and clean and quite happy as my husband gives them \$85 to \$90 each month to live on. They have no other income. Both have \$1600 life insurance which we pay for burial. Nothing else in the way of income. They do own the house which is assessed for \$800.00.

We carry them as dependents as we must. My parents would die if they had to go on relief. We have no family and gladly support them. They want to live here as long as they can care for themselves.

My gripe is this:

We must count the rental on this house as part of their income. I've had to explain to the tax accountants why this home could not rent unless you found two old people who would live as my parents do. They know we could not afford to pay rent for an apartment. Do eliminate the fair rental value of a home as income.

Each year I make out a sheet showing exactly how my folks use their money. I also explain in detail any health changes. Mother had to be hospitalized for 3 weeks. We paid the Doctor bill, Kerr Mills paid her hospital bill, but took \$32.00 from her towards the hospital bill. This \$32.00 was received from the local fraternal lodge that will give the old members up to \$75 per year if they are ill. I wanted this money used for Doctor bills but was refused. Kerr Mills case-worker wanted us to borrow on her life insurance policy—we refused as we would have an additional burden of paying this back. They did finally approve the hospital bill. Thank God for medicare in July. Each old, proud person worries about bills.

Let us:

1. *Eliminate House Rental Value as Income.* No cash involved here.
2. Have more simple records of spending of the old.
3. Permit us to carry them as dependents above \$600 income. My parents could not exist on less then we now give them. If each got \$600 that would not take care of food and staples.

4. Most of us are honest in our tax returns. Check us yes, but do not harass us. I've been told that my dad would have to go off our tax deduction if S.S. should go up. It has even been suggested that \$480.00 per year was not a bad income.

Lastly: The local tax office has *not* called me in to explain the last two years, but I expect to be called again. I sincerely hope that medicare will not be counted as income in the event one or the other is ill.

We will always help our parents even without tax deduction, but I'm happy you care enough to ask for letters.

* * * * *

Respectfully,

[Name withheld.]

DEAR SENATOR SMATHERS: Please read my letter if you are genuinely concerned about tax laws and their effect on children who try to support their parents.

I became sole support of the family in summer of 1937 when father had a heart attack. He was not covered by pension or annuity and family illness (sisters on both sides) had used up everything they had tried to save. Father lived until February 1943 (aged 69). I thank God I was able to meet all bills. Mother was taken ill in 1946. She had no income at all. Here again there were heavy bills for medicine, doctor, operation. Through the years I managed (on a minister's salary) to take care of her by cashing in two insurance policies to pay for an operation in 1953, and by using up most of my savings. Then September 17, 1964 mother broke her hip. I was able with Blue Cross-Blue Shield aid, plus selling everything I could, including a stamp collection, to pay all the bills until her discharge from the hospital (unable to walk). I was down to just \$330.00. I had investigated nursing homes. They were \$75.00 a week and up (even the low figure was more than half of what I make a week). Then I tried to get someone to come in daily as I have to leave the house before 8 a.m. and do not get home until nearly 6 p.m. These were not even practical nurses and they wanted more than I earn a week. I went to see about Kerr-Mills and the girl's first question was "what do you have to sell?" I was at the "end of my rope." At that point, God answered prayer, and the Masons invited mother to become a member of their family at the Masonic Home in another state where my father had been a life member. She is now 86 years old, and absolutely helpless. I get to see her but very seldom due to the cost and the fact that I must work. (I do not have a car).

I am only thankful I could take care of my parents as long as I did. I wish I could have continued to do so for mother.

It would have been a great help if there could have been a \$1,200.00 deduction allowed when they were 65. It would have helped if all medical and dental bills could have been deducted. Medicine was at least \$30.00 a month for mother from 1953 on.

Twice I wrote to the Senator who was chairman of the tax hearings. Each time I received a letter that it didn't cost me anything as I had a place for mother anyway. I do not have a parsonage. I never have had. I have to rent living quarters and I sure wouldn't have a two bedroom one over these past years except to take care of mother. If someone comes to find out where I live now, I still have two bedrooms because I don't have the money it would cost to move to a smaller place and so far I haven't found anything that wouldn't cost more than where I am.

To top it all off, the computer threw out my 1964 tax return, my deductions were "too big." So I had to prove I was sole support of my mother, how much of her clothing did I buy, what did I spend for it, how much for her food, send every hospital, doctor, druggist bill. I'm thankful I had 98 percent of expenditures covered by check and they finally accepted my return.

Thanks for reading this. I plead with you for help to other unmarried (and married) children who are trying to care for their parents and do not want to put them on relief.

Sincerely,

[Name withheld.]

(Another letter from Pennsylvania appears in appendix B, on p. 41.)

TENNESSEE

MAY 25, 1966.

DEAR SENATOR SMATHERS: In our local morning paper, Memphis Commercial-Appeal on May 19, was an article relating to this new tax bill hearings you are due to begin this week.

I read the article several times, and I am in full agreement with this as some ideas the committee have been studying were printed. I have to support my mother in Arkansas—and the house there too—and in 1961 or 62—I forgot the exact year now—the IRS had me to drop her as an exemption—tho I still have the support and upkeep of her house—as well as my house here. I therefore am unable to get anywhere ahead it seems. I carry hospitalization policy for her, house taxes, house insurance and in the recent past—put on a new roof, foundation, paint and some minor repairs too.

I had to drop her—now 70 years old, 71 this coming September, due to her sharing her life with her sister. This sister (my Aunt) has to assist her in her handicap. I do not give $\frac{1}{2}$ or more support to her as I have my house here. However, I do have the above mentioned things to pay. Perhaps it may be where in my case—possible many like me too—that we would be listed as Unmarried Head of Household to help on the tax load of the payers.

* * * * *

Yours truly,

OTIS R. HOLLOWAY,
Memphis, Tenn.

(Another letter from Tennessee appears in appendix B, on p. 44.)

TEXAS

(A letter from Texas appears in appendix B, on p. 48.)

WASHINGTON

(A letter from Washington appears in appendix B, on p. 42.)

WISCONSIN

(A letter from Wisconsin appears in appendix B, on p. 39.)

APPENDIX D

RESEARCH MATERIALS

1. Statistics on Receipt by Individuals Aged 65 and Over of Contributions From Persons Not in Their Homes

NOTE.—The following table based upon the Social Security Administration's 1963 Survey of the Aged appeared in an article by Erdman Palmore entitled "Differences in Sources and Size of Income—Findings of the 1963 Survey of the Aged," p. 7, SOCIAL SECURITY BULLETIN, May 1965:

TABLE 6.—Source of money income and OASDI beneficiary status: ¹ Percent of units aged 65 and over having income from specified source, by income group, 1962

Income source	Married couples						Nonmarried men						Nonmarried women					
	OASDI beneficiaries			Nonbeneficiaries			OASDI beneficiaries			Nonbeneficiaries			OASDI beneficiaries			Nonbeneficiaries		
	Low-income third	Mid-income third	High-income third	Low-income third	Mid-income third	High-income third	Low-income third	Mid-income third	High-income third	Low-income third	Mid-income third	High-income third	Low-income third	Mid-income third	High-income third	Low-income third	Mid-income third	High-income third
Number reporting (in thousands) . . .	1, 145	1, 214	930	318	184	430	390	559	435	330	134	222	694	1, 132	1, 188	1, 103	578	511
Percent having—																		
Earnings	32	49	67	31	53	89	12	18	39	10	28	60	7	17	44	7	12	33
Retirement benefits	100	100	99	11	52	24	100	100	99	3	23	32	100	100	100	4	17	12
OASDI	100	100	99				100	100	99			32	100	100	100			12
Other public pensions	2	8	17	11	49	23	1	4	11	2	23	27	(²)	3	11	2	15	17
Private group pensions	5	28	27	(²)	4	2	1	9	28	1	(²)	7	1	10	1	1	2	1
Veterans' benefits	5	21	15	18	26	8	1	13	19	10	14	16	(²)	4	13	3	5	14
Interest, dividends, and rents	37	65	88	28	58	79	25	43	70	12	34	63	29	48	72	23	32	58
Private individual annuities	(²)	2	8	1	1	5	(²)	1	4	(²)	(²)	2	1	6	6	(²)	1	6
Unemployment insurance	(²)	1	5	(²)	3	3	(²)	1	1	(²)	(²)	1	1	1	2	(²)	(²)	(²)
Public assistance	14	3	(²)	43	4	(²)	15	14	1	56	43	4	(²)	6	15	7	8	21
Contributions by persons not in home	5	2	(²)	5	2	2	2	2	2	1	(²)	3	3	6	5	8	9	8
Payments under any public programs	100	100	99	68	65	30	100	100	99	69	81	40	100	100	100	33	73	49

¹ Excludes part-year and parent beneficiaries.² Less than 0.5 percent.

Staff computation of approximate number of individuals aged 65 and over who received contributions from persons not in their homes, based upon above table

Low income third:	
Married OASDI beneficiaries.....	114, 500
Married nonbeneficiaries.....	38, 160
Nonmarried men OASDI beneficiaries.....	7, 800
Nonmarried men nonbeneficiaries.....	3, 300
Nonmarried women OASDI beneficiaries.....	20, 820
Nonmarried women nonbeneficiaries.....	88, 240
Total recipients in low income third.....	272, 820
Middle income third:	
Married OASDI beneficiaries.....	48, 560
Married nonbeneficiaries.....	7, 360
Nonmarried men OASDI beneficiaries.....	11, 180
Nonmarried men nonbeneficiaries.....	*
Nonmarried women OASDI beneficiaries.....	67, 920
Nonmarried women nonbeneficiaries.....	52, 020
Total recipients in middle income third.....	187, 040
High income third:	
Married OASDI beneficiaries.....	*
Married nonbeneficiaries.....	17, 200
Nonmarried men OASDI beneficiaries.....	8, 700
Nonmarried men nonbeneficiaries.....	*
Nonmarried women OASDI beneficiaries.....	59, 400
Nonmarried women nonbeneficiaries.....	40, 880
Total recipients in high income third.....	126, 180
Total elderly recipients of contributions from persons not in their homes.....	586, 040

*Negligible number.

2. Memorandum From Legislative Reference Service, Library of Congress

THE LIBRARY OF CONGRESS,
LEGISLATIVE REFERENCE SERVICE,
Washington, D.C., June 20, 1966.

To: Honorable George Smathers.

From: American Law Division.

Subject: State laws respecting the support of needy parents by their children and other relatives.

In compliance with your request, we transmit herewith a compilation of the laws of the various states respecting the children's obligation to support their indigent parents and those incapacitated by age, disease, accident, infirmity, etc.

Included in the compilation are those provisions requiring such support of parents hospitalized or confined in state, public or private institutions, where such provisions are codified as separate or in addition to the general statutory provisions requiring such assistance.

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Legislative Attorney.

STATE LAWS RESPECTING THE SUPPORT OF NEEDY PARENTS BY THEIR CHILDREN AND OTHER RELATIVES

Alabama, Code of

§ 45-257 et seq: Provides that a husband, wife, father, mother, child or children shall be responsible for support and maintenance of a mentally ill person confined in any state mental institution.

Sections also prescribe the procedure whereby the extent of such liability shall be determined and fixed as to such financially responsible persons.

NOTE.—The provisions of § 49, §§ 109–116 which required the support of needy persons by relatives, were repealed by Acts 1955, 2nd Ex. Sess., No. 54, effective May 1, 1955.

Alaska, Statutes of

§ 47.25.230: Provides that every needy person shall be supported while living, and buried, upon death, by the spouse, children, father or mother, grandfather, grandmother, grandchildren, brothers or sisters of the needy person, if they, or any of them, have the ability to do so, in the order named.

§ 47.30.270: Within their ability to pay, a patient's legal representative, spouse, parents, adult children, in that order, shall pay or contribute to the payment of the charges for the care or treatment of mentally ill patients whether hospitalized in a public or private institution.

Arizona, Revised Statutes of

§ 46-236: Requires a spouse, father or mother reasonably able to do so, to provide support for any recipient of general assistance from the State. Liability therefor is in the order named.

Arkansas, Statutes of

§§ 83-601 to 613: Fixed the responsibility and liability of certain relatives for support, but was repealed by Acts 1953, No. 176, § 8 which in turn was repealed by Acts 1955, No. 37, § 1, i.e., the 1953 Act repealed and re-enacted, with amendments, the prior statute. All requirements for support by certain relatives were repealed by the 1955 Act.

California, Welfare and Institutions Code

§ 17300: Provides that all aid rendered by the counties of the State for the support of incompetent, poor, indigent persons, and those incapacitated by age, disease or accident, shall be a charge against the spouse, parent, and adult child of the recipient; and such persons shall reimburse the county for such aid to the extent that they are financially able to do so.

Colorado, Revised Statutes of

§ 119-6-18, 19: Provides for recovery of assistance payments from the recipient—if possessed of property in excess of that allowed by the rules—or from his estate when the inventory thereof shows assets in excess of the amount he was allowed to have in order to receive assistance.

Connecticut, General Statutes of

§ 17-295: Provides that with respect to patients confined in state humane institutions, the husband, wife, father, mother and child of such patient, as well as the patient himself, each shall be liable, as follows, for the support of the patient:

Taxable income per annum of person liable for support:	<i>Maximum monthly rate of contribution</i>
At least \$4,000 but less than \$5,000.....	\$16. 00
At least \$5,000 but less than \$6,000.....	22. 40
At least \$6,000 but less than \$7,000.....	28. 80
At least \$7,000 but less than \$8,000.....	35. 20
At least \$8,000 but less than \$9,000.....	43. 20
At least \$9,000 but less than \$10,000.....	56. 00
At least \$10,000 but less than \$11,000.....	72. 00
At least \$11,000 but less than \$12,000.....	88. 00
At least \$12,000.....	94. 00

NOTE.—Persons whose incomes are less than \$4,000 may not be charged for such support.

§ 17-320: Provides that when any person becomes poor and is unable to support himself or herself, and family, the husband, wife, father, mother or child shall do so if able, and, shall do so to the extent that they are able.

Delaware, Code Annotated

§ 13-501: Provides that when any person shall be unable to support himself or herself, the parents, spouse or children of such poor person shall be liable for his or her support in the order named; if the relation prior in order shall not be able, the next in order shall be liable, and several relations of the same order shall, if able, contribute equally.

§ 31-2831: Imposes a liability upon the parents, grandparents, children or grandchildren, for the expense incurred in the care and support of an indigent inmate of the State Welfare Home.

District of Columbia, Code of

§ 46-103: Provides that the spouse, father, child or grandchild, living in the District of Columbia, are bound to support, according to their ability, any blind person receiving aid under the statutes providing for care of blind persons in said District.

§ 46-211: Charges the same relatives living in the District of Columbia with liability for support of relatives receiving aid under the District's old-age assistance laws. Such assistance shall be in proportion to their respective ability.

Florida, Statutes Annotated

No provision found.

Georgia, Code Annotated

§ 23-2302: Requires the father, mother or child or any pauper (defined as a person unable to maintain themselves by labor, or without sufficient means) to support them if they are sufficiently able to do so.

Hawaii, Revised Laws of

§ 330-22: Provides that adult children of persons unable to support themselves shall support such persons to the extent of their financial ability, if such children have received care and support from such person during their minority.

Idaho, Code of

§ 32-1002: States that it is the duty of the father, the mother and the child or children of any person who is unable to maintain himself or herself by work, to maintain such poor person to the extent of his or her ability.

Illinois, Statutes Annotated

§ 68-52(f): States that children are severally liable for the support of their parents, if they are in need of such support and likely to become a public charge, and if possessed of sufficient means, or able to earn such means, may be required to pay for their support a fair and reasonable sum, and when there are two or more such children the court may determine and assess the proportionate ability of each to contribute to such support.

§ 62-52(g): Provides that brothers or sisters, if possessed of sufficient means, shall support persons who have no spouse, children or parents of sufficient means to support such person, and, if there are two or more such brothers or sisters, the court may determine and assess the proportionate ability of each to contribute to such support.

Indiana, Statutes Annotated

§ 10-1410: Provides that if any person being of full age and being financially able shall neglect, without reasonable cause, to maintain his or her sick or needy parent, such person shall be guilty of a misdemeanor punishable, upon conviction, by a fine not to exceed \$500 and imprisonment for not in excess of 6 months (if latter is added to the fine by the court).

If there are two or more children, each child shall contribute in such proportion as the court may direct.

Iowa, Code Annotated

§ 252.2: States that the father, mother, and children of any poor person, who is unable to maintain himself or herself by labor, shall jointly or severally relieve or maintain such person in such manner as, upon application to the township trustees of the township where such person has a residence or may be, they may direct.

Kansas, Revised Statutes of

No provision found.

Kentucky, Revised Statutes of

§ 405.080: Provides that any adult person residing in this state and having in this state a parent who is destitute of means of subsistence and unable because of old age, infirmity or illness to support himself, or herself, shall, after reason-

able notice, provide that parent with necessary shelter, food, care and clothing, if he has, or is able, to earn, sufficient means to do so.

Louisiana

Civil Code Art. 229: States that children are bound to maintain their father and mother and other ascendants, who are in need; and the relatives in the direct ascending line are likewise bound to maintain their needy descendants, this obligation being reciprocal.

They are also bound to render reciprocally all the services which their situation can require, if they should become insane.

Revised Statutes § 13-4731: Provides that when any person is in necessitous circumstances, that person may demand from his or her children or grandchildren alimony for support, and proceedings for that purpose may be instituted in any district court and shall be tried summarily. The amount—upon a showing and finding of need—shall be determined by the court with reference to the ability of the obligated persons.

Revised Statutes § 46-187: Empowers the board of trustees of the home for the aged to proceed by direct action in the courts to compel any person or persons legally required to support any aged, infirm or indigent person, to do so.

Maine, Revised Statutes of

§ 22-3452: Provides that the spouse, parents and adult child of a recipient of aid to the aged, blind or disabled, shall, if of sufficient ability, be responsible for the partial or total support of such persons. In determining the ability of such relative, his assets as well as his income shall be considered.

Maryland, Anno. Code of

Art. 27, sec. 104: States that if any person having a parent or parents within this State, such parent or parents being destitute of means of subsistence and unable either by reason of old age, infirmity or illness to support himself or herself, who is possessed of or able to earn means sufficient to provide such parent or parents with necessary shelter, food, care, and clothing, and neglects or refuses so to do, shall, upon conviction thereof, be deemed guilty of a misdemeanor, and upon conviction in any court of the State having original jurisdiction, shall be punished by a fine not exceeding \$500 or imprisonment in the Maryland House of Correction for not more than one year, or both, in the discretion of the court.

Massachusetts, General Laws Annotated

§ 273-20: States that any person, over 21 years of age, who, being possessed of sufficient means, unreasonably neglects or refuses to provide for the support and maintenance of his parent, whether father or mother, residing in the commonwealth, when such parent through misfortune and without fault of his own is destitute of means of sustenance and unable by reason of old age, infirmity or illness to support and maintain himself, shall be punished by a fine of not more than \$200 or by imprisonment for not more than 1 year, or both. No such neglect or refusal shall be deemed unreasonable as to a child who shall not during his minority have been reasonably supported by such parent, if such parent was charged with the duty so to do, nor as to a child who, being one of two or more children, has made proper and reasonable contribution toward the support of such parent.

Michigan, Statutes Annotated

§ 16.122: Provides that the husband, wife, mother and children of any poor person, being of sufficient ability, shall jointly or severally relieve, maintain and support the poor person and the husband, father and mother of a dependent child, being of sufficient ability, shall jointly or severally relieve, maintain and support the dependent child, in such manner as shall be approved by the county department of social welfare of the county in which the poor person is settled or is living.

§ 16.137: States that whoever, being an adult resident of the state and possessed of or able to earn means sufficient to provide food, shelter, care, and clothing, for a parent within this state who is destitute of means of subsistence and unable either by reason of age, infirmity or illness to support himself, neglects or refuses to supply such parents with necessary shelter, food, care, and clothing, shall be, upon conviction thereof, imprisoned in the county jail or workhouse at hard labor for not less than three (3) months nor more than one (1) year.

Minnesota, Statutes Annotated

§ 261.01: States that every poor person who for any reason is unable to earn a livelihood shall be supported by his children, parents, brothers, and sisters, grandchildren or grandparents; and relatives having sufficient ability shall be called on for such support in the order above named; provided, that a person who becomes a pauper from intemperance or other bad conduct shall not be entitled to support from any relative except parent or child. Every such relative who refuses or fails to support any poor person whom he is bound by law to support, when directed by the board or council of the county, town, city, or village in which such person has a settlement, shall forfeit and pay to such county, town, city or village, for the use of the poor thereof, such amount as the court may determine, not exceeding \$25 per month, to be recovered in any court having jurisdiction.

Mississippi, Code of

§ 7357: Obligates the father, grandfather, mother, grandmother, and brothers and sisters, and the descendants of any pauper not able to work, to relieve and maintain such pauper as the board of supervisors shall direct. In case of refusal, they shall forfeit and pay the county the sum of \$10 per month, for each month they so refuse, to be recovered in the name of the county; and they shall be liable to any person who supplies such poor relative, if abandoned, with necessities, not exceeding said sum per month; and if any such relative be a non-resident he may be proceeded against by attachment, as in cases of attachment against debtors.

Missouri, Statutes Annotated

No provision found.

Montana, Revised Code of

§ 61-124: Declares it to be the duty of every adult child, having the ability to do so, to furnish and provide necessary food, clothing, shelter, and medical attendance for his indigent parent or parents, unless in the judgment of the court or jury, he is excused therefrom by reason of intemperance, indolence, immorality, or profligacy of such parent.

Nebraska, Revised Statutes of

§ 68-101: Provides that every person unable to earn a livelihood, in consequence of an unavoidable cause, shall be supported by the father, grandfather, mother, grandmother, children, grandchildren, brothers or sisters of such poor person if they or either of them be of sufficient ability. Upon failure or refusal to support his or her father, grandfather, mother, grandmother, child or grandchild, sister or brother, when directed by the county board of the county where such poor person shall have a legal settlement, whether such relative shall reside in the same county or not, shall forfeit and pay to such county board, for the use of the poor of the county rendering care, such sum as may be by such county board adjudged adequate and proper to be paid, not exceeding \$10 per week for each and every week for which they or either of them shall fail or refuse, to be recovered in the name of such county board, for the use of the poor aforesaid, before a justice of the peace or any other court having jurisdiction.

Persons entitled to support from relatives may bring an action, in their own name, against such relative for such support.

Persons who become poor by reason of intemperance or any other bad conduct shall not be entitled to support from any relative except parent or child.

§ 68-102: Establishes the following order of liability for the above support: 1) children, if of sufficient ability; 2) the parents, 3) the brothers and sisters, 4) grandchildren, 5) grandparents.

Nevada, Revised Statutes of

With regard to support for the indigent, the statutes state as follows:

422.310: 1. The husband, wife, father, mother, and children of an applicant for or recipient of public assistance, if of sufficient financial ability so to do, are liable for the support of such applicant or recipient.

422.320. Relatives contribution scale. In no case shall a relative be required to make contributions greater than the amount fixed by the relatives contribution scale set forth below:

Relatives contribution scale

Net monthly income of responsible relatives	Maximum required monthly contribution—Number of persons dependent upon income									
	1	2	3	4	5	6	7	8	9	10 or over
Under \$200.....	0	0	0	0	0	0	0	0	0	0
\$200 to \$249.....	\$10	0	0	0	0	0	0	0	0	0
\$250 to \$299.....	15	0	0	0	0	0	0	0	0	0
\$300 to \$349.....	20	\$15	\$10	\$5	0	0	0	0	0	0
\$350 to \$399.....	25	20	15	10	\$5	0	0	0	0	0
\$400 to \$449.....	35	30	25	20	15	\$10	0	0	0	0
\$450 to \$499.....	45	40	35	30	25	20	\$15	\$10	0	0
\$500 to \$549.....	55	50	45	40	35	30	25	20	\$15	\$10
\$550 to \$599.....	65	60	55	50	45	40	35	30	25	20
\$600 to \$649.....	75	70	65	60	55	50	45	40	35	30
\$650 to \$699.....	85	80	75	70	65	60	55	50	45	40
\$700 and over.....	85	80	75	70	65	60	55	50	45	40

[Part 12a:327:1949; added 1951, 296; A 1953, 333.]

428.030: 1. When any poor person shall not have relatives of sufficient ability to care for and maintain such poor person, or when such relatives refuse or neglect to care for and maintain such poor person, then such poor person shall receive such relief as the case may require out of the county treasury.

2. The board of county commissioners may either make a contract for the necessary maintenance of the poor person, or appoint such agents as the board may deem necessary to oversee and provide for the same.

428.070: 1. The father, mother, children, brothers or sisters, of sufficient financial ability so to do, shall pay to the county which has extended county hospitalization to any person under the provisions of NRS 428.030, the amount granted to such person.

2. The board of county commissioners shall advise the attorney general of the failure of a responsible person to pay such amount and the attorney general shall cause appropriate legal action to be taken to enforce the collection of all or part of such amount. If suit is filed to enforce the collection, the court shall determine the question of the sufficiency of the financial ability of the person against whom such action is filed, but the board of county commissioners shall determine the responsible relative to be sued, and failure of an action against one such relative shall not preclude subsequent or concurrent actions against others.

New Hampshire, Revised Statutes Anno.

§ 165:19: States that the relation of any poor person in the line of father, mother, stepfather, stepmother, son, daughter, husband or wife shall assist or maintain such person when in need of relief. Said relation shall be deemed able to assist such poor person if his weekly income is more than sufficient to provide a reasonable subsistence compatible with decency and health.

If such able person fails and refuses to provide such support, the courts may fix the amount of contribution and compel him to do so. Continued failure without just cause shall be punishable as a contempt. Contempt shall be punishable by imprisonment for not less than 60 days nor more than 90 days.

§ 167:2: Imposes the same obligation with regard to persons receiving old-age assistance.

New Jersey, Statutes Anno.

§ 30:4-66: Imposes an obligation of support on an indigent institutionalized insane patient's wife, husband, parents, grandparents, children or grandchildren if any or all of them are able to pay a part of the rate fixed for the maintenance of such patient.

§ 30:4-74: States that the person chargeable for the support of an indigent patient shall continue to be so liable for institutional support from the time of the patient's commitment whether he was committed as indigent or non-indigent and irrespective of a change of such status after commitment.

§ 44:4-101: Charges the father, grandfather, mother, grandmother, children, grandchildren, and husband or wife, severally and respectively, for the support of a poor, old, blind, lame, or impotent person or other poor person or child not

able to work. Such obligation extends only to those who are sufficiently able to provide such support.

The above provisions are made expressly applicable to the minor children of a mother whose husband shall fail properly to support and maintain such minor children when by reason thereof they are likely to become a public charge upon the county in which they have gained a settlement.

§ 44:4-102: Authorizes the courts to fix the amount of support and compel its payment when the persons liable as above fail or refuse to provide such support. Continued failures and refusals, without just cause, are punishable as a contempt of court.

Provides further that if a child or children of a poor person were not supported or maintained by them during their minority, or were abandoned by such poor person during their minority, then the Court may revoke the Welfare Department's order for support, or, may reduce the amount of said order against such child or children, in proportion to the actual support and maintenance rendered by said poor person to the child or children sought to be held.

New Mexico, Statutes of

§ 13-1-45: Declares that every child who has reached his 25th birthday shall support or contribute to the support of his parent or parents if:

(a) the parent is unable to support himself and is, or is about to become, a public charge; and

(b) the child is financially able to furnish partial or complete support.

§ 13-1-47: Declares that the contribution of a child shall be determined on the basis of his average gross monthly income; provided, that he may deduct from such gross monthly income the sum of \$150 for any one person dependent upon him for support and \$90 for each additional dependent.

After making such deductions, if any, such child shall contribute to the support of his parent or parents, in accordance with the following scale, but in no event shall he be required to contribute more than his parent or parents would be entitled to receive by way of assistance from the department of public welfare:

Monthly income after deductions for dependents:	Required contribution as percent of monthly income
\$1 to \$225.....	None.
\$225 to \$300.....	5 percent.
\$300 to \$450.....	\$15 plus 20 percent of excess over \$300.
\$450 or more.....	\$45 plus 30 percent of excess over \$450.

New York

Code of Criminal Procedure § 914: Repealed by L. 1962, C. 960, § 34, eff. Sept. 1, 1962.

Prior to repeal, section imposed liability upon the husband, wife, father, mother, grandparent or child for the support of a recipient of public relief or of a person liable to become in need of public relief.

Code of Criminal Procedure § 928-b: Imposes a liability of support upon the father, mother, husband, wife or children of a patient or inmate admitted or committed to any state institution, if they are of sufficient ability.

North Carolina, General Statutes of

§ 14-326.1: Declares that if any person being of full age, and having sufficient income after reasonably providing for his or her own immediate family shall, without reasonable cause, neglect to maintain and support his or her parent or parents, if such parent or parents be sick or not able to work and have not sufficient means or ability to maintain or support themselves, such person shall be deemed guilty of a misdemeanor, and, upon conviction, shall be fined or imprisoned in the discretion of the court.

Further provides for an equitable sharing of such support if there be more than one person bound to discharge the aforesaid duty.

North Dakota, Century Code

§ 50-01-19: States that the father, mother, and children of any poor person who is unable to maintain himself by work shall maintain such person to the extent of their ability.

§ 50-01-20: States that before giving aid a second time to a poor person, the welfare board shall call upon the obligated relatives to help either by furnishing material relief or employment to such person.

Ohio, Revised Code Annotated

§ 2901.40: States that no adult who is possessed of or able to earn means sufficient to provide food, shelter, care and clothing for his parent, who is destitute of means of subsistence and unable either by reason of old age, infirmity, or illness to support himself, shall neglect or refuse to supply such parent with necessary care, shelter, food and clothing. Violations hereof are punishable by a fine of not less than \$10 nor more than \$500, or imprisonment for not less than 10 days nor more than 1 year, or both.

§ 2901.42: Provides that no person shall be required to furnish a parent with shelter, food, care or clothing, if such parent was convicted for having abandoned, deserted, or willfully refused or neglected to support and maintain said person while said person was an infant under 18 years of age, or if said person was physically or mentally handicapped and under 21 years of age.

Oklahoma, Statutes Annotated

No provision found.

Oregon, Revised Statutes

§ 109.010: States that parents are bound to maintain their children who are poor and unable to work to maintain themselves; and children are bound to maintain their parents in like circumstances.

§ 416.010(4): For the purpose of the public assistance law, the term "relative" or "relatives" means the living husband, wife, father, mother, son or daughter 21 years of age or over of an applicant for or a recipient of public assistance.

§ 416.030: Provides that no liability for the support of a needy person shall be imposed upon, among others:

(a) the child of a needy person if, during the minority of the child, such person willfully deserted or abandoned the child, or, by expulsion or cruelty, drove the child from the parental home, or, without good cause, was responsible for the child's being "dependent." as previously defined herein.

§ 416.060(1): States that the living relatives of any needy person are hereby made jointly and severally liable to such person for monthly contributions of money not to exceed total cost, in accordance with the following relatives contribution scale:

Relatives' contribution scale

Gross annual income of responsible relatives in 1 family		Number of persons dependent upon income									
		1	2	3	4	5	6	7	8	9	10
Over—	But not over—	Monthly payments required									
0	\$5,000	0	0	0	0	0	0	0	0	0	0
\$5,000	\$5,500	\$10	0	0	0	0	0	0	0	0	0
\$5,500	\$6,000	20	0	0	0	0	0	0	0	0	0
\$6,000	\$6,500	30	0	0	0	0	0	0	0	0	0
\$6,500	\$7,000	40	\$10	0	0	0	0	0	0	0	0
\$7,000	\$7,500	50	20	0	0	0	0	0	0	0	0
\$7,500	\$8,000	60	30	\$10	0	0	0	0	0	0	0
\$8,000	\$8,500	70	40	20	0	0	0	0	0	0	0
\$8,500	\$9,000	80	50	30	\$10	0	0	0	0	0	0
\$9,000	\$9,500	90	60	40	20	0	0	0	0	0	0
\$9,500	\$10,000	100	70	50	30	\$10	0	0	0	0	0
\$10,000	\$10,500	(1)	80	60	40	20	0	0	0	0	0
\$10,500	\$11,000	(1)	90	70	50	30	\$10	0	0	0	0
\$11,000	\$11,500	(1)	100	80	60	40	20	\$10	0	0	0
\$11,500	\$12,000	(1)	(1)	90	70	50	30	20	\$10	0	0
\$12,000	\$12,500	(1)	(1)	100	80	60	40	30	20	\$10	0
\$12,500	\$13,000	(1)	(1)	(1)	90	70	50	40	30	20	\$10
\$13,000	\$13,500	(1)	(1)	(1)	100	80	60	50	40	30	20
\$13,500	\$14,000	(1)	(1)	(1)	(1)	90	70	60	50	40	30
\$14,000	\$14,500	(1)	(1)	(1)	(1)	100	80	70	60	50	40
\$14,500	\$15,000	(1)	(1)	(1)	(1)	(1)	90	80	70	60	50
\$15,000	\$15,500	(1)	(1)	(1)	(1)	(1)	100	90	80	70	60
\$15,500	\$16,000	(1)	(1)	(1)	(1)	(1)	(1)	100	90	80	70
\$16,000	\$16,500	(1)	(1)	(1)	(1)	(1)	(1)	(1)	100	90	80
\$16,500	\$17,000	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	100	90
\$17,000	\$17,500	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	100
\$17,500		(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

¹ Total cost.

(2) When any living relative is required to contribute according to the scale in subsection (1) of this section, he may compel contribution from any other living relative or relatives liable under ORS 416.010 to 416.260.

(3) If the relative and his spouse each has income with respect to the calendar year during which public assistance is paid and they jointly or severally owe a duty of support to one or more persons for whom the relative may not provide the chief support because of the combined income, the relative is still entitled to claim that number of dependents nearest the whole number obtained by dividing the relative's gross annual income by the combined gross annual income of the relative and his spouse and multiplying the quotient by the number of dependents for whose support they are jointly or severally liable.

Pennsylvania, Statutes Annotated

§ 62-1973: States that the husband, wife, child (except as hereinafter provided), father and mother of every indigent person, whether a public charge or not, shall, if of sufficient ability, care for and maintain, or financially assist, such indigent person at such rate as the court of the county where such indigent resides shall direct.

No child, however, shall be liable for the support of any parent who abandoned the child and persisted in the abandonment for a period of 10 years during the child's minority.

In respect to medical assistance for the aged other than public nursing home care, the responsibility of the relative liable for support shall, during any 12 month period, be six times the excess of such relatives average monthly income over the amount required for the reasonable support of himself and other persons dependent upon him, or the cost of such medical assistance for the aged, whichever is less. However, the Department of Public Welfare may adjust, and even eliminate, such relatives responsibility, at a cost to the Commonwealth not exceeding those funds certified from time to time by the Budget Secretary as available for such purpose.

Responsibility may be enforced by court order, and violations thereof are punishable as a contempt with imprisonment, in the court's discretion, for a period not exceeding 6 months.

§ 71-1783: Imposes a liability upon the husband, wife, father, mother, child or children, legally able to do so, for the maintenance of any person who is an inmate of any asylum, hospital, home or other institution maintained in whole or in part by the Commonwealth of Pennsylvania.

§ 50-1361, 1362: States that all costs of care of any patient in any state institution is imposed against" . . . (2) the persons liable for the patient's support."

Rhode Island, General Laws of

§ 15-10-1: Provides a fine of not in excess of \$200, imprisonment for not more than one (1) year, or both, upon conviction of unreasonably neglecting or refusing to provide for the support and maintenance of a parent, by anyone above the age of 21 years, when such parent through misfortune, and without fault of his or her own, is destitute of means of sustenance and unable by reason of old age, infirmity or illness to support and maintain himself or herself.

However, no such neglect or refusal shall be deemed unreasonable as to a child who shall not during his or her minority have been reasonably supported by such parent, if the parent was charged with the duty so to do, nor as to any child who, being one of two or more children, has made proper and reasonable contributions, toward the support of such destitute parent.

§ 40-8-13: Provides that the kindred of any poor person, if he shall have any, in the line or degree of father or grandfather, mother, or grandmother, children or grandchildren, by consanguinity, or children by adoption, living within this state and of sufficient ability, shall be holden to support such pauper in proportion to such ability.

South Carolina, Code of Laws

No provisions found.

South Dakota, Code of

§ 14.0312: Declares it to be the duty of the father, mother and children of any poor person to support them to the extent of their ability.

Tennessee, Code Annotated

No provision found.

Texas, Statutes Annotated

No provision found.

Utah, Code Annotated

No provision found.

Vermont, Statutes Annotated

§ 33-931: Provides that unless there is a lawful excuse, an adult child shall provide for the support of his parent in destitute or necessitous circumstances, if of sufficient pecuniary or physical ability so to do. Such duties of support and assistance of poor persons may be required in proportion to the respective abilities of the persons liable for such support and assistance.

Virginia, Code of

§ 20-88: Declares it to be the joint and several duty of all persons 17 years of age or over, of sufficient earning capacity or income, after reasonably providing for his own immediate family, to provide or assist in providing for the support and maintenance of his or her mother or aged or infirm father, he or she being then and there in necessitous circumstances.

If there be more than one person so liable, they shall share this obligation equitably.

Violations are punishable as misdemeanors and, on conviction, punished by a fine not exceeding \$500 or imprisonment in jail for a period not exceeding 12 months, or both.

Washington, Revised Code

No provision found.

West Virginia, Code of

§ 626(150): Provides that the relatives of an indigent person, who are of sufficient ability, shall be liable to support such person in the manner required by the county council of the county in which the person may be, and to pay the expenses of burial when he dies, in the following order: 1) the children, 2) the father, 3) the brothers and sisters, 7) the mother.

Further declares that a relative shall not be compelled to receive such person into his home.

Wisconsin, Statutes Annotated

§ 52.01: States that the parent, spouse and child of any person who is unable to maintain himself shall maintain such dependent person, so far as able, in a manner approved by the authorities having charge of the dependent, or by the board in charge of the institution where such dependent person is.

Wyoming, Statutes of

No provision found.

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