Fiscal Cliff Deal: What It Means for Seniors

Based on a compromise crafted by Vice President Biden and Senate Minority Leader Mitch McConnell (R-KY), the Senate and House passed the American Taxpayer Relief Act on Jan. 1, including a broad range of tax, unemployment insurance, and health-related extensions. The bill includes both positives and negatives for older adults.

The legislation delays for two months the automatic, across-the-board sequester cuts that were scheduled to take effect with the new year.

It also reduces spending caps for discretionary programs by $4 billion in FY 2013 and $8 billion in FY 2014. Domestic programs like the Older Americans Act are already slated to receive $3 billion less than the new FY 2013 cap, so no additional cuts are expected if the sequester is averted.

On the positive side, NCOA is pleased that the final deal includes an extension of funding for Medicare low-income outreach and enrollment activities. NCOA led a group effort—along with n4a, NASUAD, and the Medicare Rights Center—and greatly appreciates the leadership of Sens. Baucus (D-MT), Rockefeller (D-WV), and Casey (D-PA) in securing this funding.

On the negative side, we are disappointed that the bill repeals the CLASS program, which was enacted as part of health reform and was designed to help people afford long-term services and supports. The Administration had determined that the program was not workable in its enacted form, while NCOA believed it could have been fixed through legislative amendments.

In its place, the bill creates a new Long-Term Care Commission (Section 643), with 15 members appointed by the Administration and congressional leaders, charged with developing a comprehensive plan and legislative recommendations for consideration by Congress.

While the bill does not include significant cuts to Medicare, Medicaid, or Social Security, it is expected that Republican members will insist on cutting these programs in exchange for agreeing to extend the debt ceiling.

Below are more details on the final legislation:

Program Extensions

Medicare physician payments

There will be a one-year delay in a scheduled 27% cut in Medicare physician payments (“doc fix”).

Qualified Individual Program

Funding for the Medicare Qualified Individual (QI) program is extended for a year (Section 621). QI pays Medicare Part B premiums for beneficiaries with incomes between 120-135% of poverty.

Benefits outreach and enrollment

The bill extends $25 million in funding for continued community-based outreach and enrollment activities for low-income Medicare beneficiaries (Section 610).

The health extenders offsets to pay for these and other provisions do not include any direct beneficiary cuts.

Farm bill

Farm bill funding is extended through Sept. 30, 2013, but State Supplemental Nutrition Assistance Program Education (SNAP-Ed) is cut by $110 million in FY 2013 to pay for a commensurate increase in dairy producer payments.

Unemployment insurance

There is a one-year extension of emergency benefits for the long-term unemployed.

Taxes

Tax rates

The top income tax rate would return to 39.6% for singles with incomes above $400,000 and married couples with incomes above $450,000. Dividends and capital gains would be taxed at 20% for those with incomes above these levels, while it would remain at 15% for those below.

Estate tax

The rate increases from 35% to 40% for estates above $5 million in assets, adjusted for inflation in the future.

Alternative Minimum Tax

The bill includes a permanent fix to the Alternative Minimum Tax.

Credits for families

The Child Tax Credit, Earned Income Tax Credit, and American Opportunity Tax Credit (for college expenses) each are extended for five years.

Business credits

Popular business tax breaks are extended, such as those for research and development.

Payroll tax

The temporary cut that has been in effect for the past two years will expire for all taxpayers.