

An hourglass-shaped graphic with a globe inside. The top bulb is dark blue, and the bottom bulb is light blue. The globe is a light blue color. The hourglass is centered on the page.

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*Additional Standard Tax Deduction for the Blind: A
Description and Assessment*

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Abstract. In the Revenue Act of 1943, a special \$500 income tax deduction was first permitted the blind for expenses directly associated with readers and guides. This deduction for expenses evolved to a \$600 personal exemption in the Revenue Act of 1948 so that the blind did not forfeit use of the standard deduction and so that the tax benefit could be reflected directly in the withholding tables. Congress attempted to target the tax benefit to low- and moderate-income blind individuals by replacing the tax exemption with an additional standard deduction amount with passage of the Tax Reform Act of 1986.

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Additional Standard Tax Deduction for the Blind: A Description and Assessment

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Summary

In the Revenue Act of 1943, a special \$500 income tax deduction was first permitted the blind for expenses directly associated with readers and guides. This deduction for expenses evolved to a \$600 *personal exemption* in the Revenue Act of 1948 so that the blind did not forfeit use of the standard deduction and so that the tax benefit could be reflected directly in the withholding tables. Congress attempted to target the tax benefit to low- and moderate-income blind individuals by replacing the tax exemption with an additional standard deduction amount with passage of the Tax Reform Act of 1986.

The extra standard deduction amount provides tax relief that recognizes the increased costs of living and associated costs of employment for blind taxpayers. Since many blind taxpayers have low incomes, they are able to use the additional standard deduction amount provided under current tax law. However, this extra amount arguably does not meet the tax tests of horizontal equity and effectiveness. The provision has not been extended to other taxpayers with handicapping conditions because of administrative difficulties and the loss of additional federal tax revenues. This report will be updated in future years to reflect changes in law or in the additional standard deduction amount that is adjusted for inflation.

Current Tax Law

Federal income tax laws provide certain allowances for the blind, the most important of which is the additional standard deduction amount allowed to legally blind taxpayers. Other special tax allowances are included in other provisions of the law, such as the exception from the 2% floor for deducting employee business expenses for impairment-

related work expenses of handicapped employees.¹ Only the additional standard deduction amount for the blind, however, is discussed in this short report.

Under present law in 2008, individuals in general are entitled, for income tax purposes, to deduct from their income in lieu of itemizing deductions a standard deduction amount of \$5,450 if single; \$8,000 as head of household; or \$10,900 if married and filing jointly. In addition, each married taxpayer is allowed an additional standard deduction amount of \$1,050 if he/she is at least 65 years of age or blind; if both blind and 65 years of age or older they are each allowed an additional standard deduction amount of \$2,100. (Thus, the total *added* deduction for a married couple, both of whom are blind and over 65, would be \$4,200). If single or filing as head of household the additional standard deduction amount is \$1,350 for age or blindness, and \$2,700 for both. However, the additional standard deduction amount is not allowable for a **dependent** who is 65 years old or blind. The forgoing amounts are subject to adjustments for inflation. An additional standard deduction for other forms of handicap is currently not allowed by federal tax laws.

Legislative History and Rationale

The advocates of the special tax provisions for blind taxpayers justify it on the basis of need. They argue that blind persons incur certain expenses that sighted persons normally would not incur. For example, they say the blind often incur taxi fares to go shopping or to their place of employment whereas sighted persons may walk or take a less expensive form of transportation. Further, advocates say, those who are blind cannot mow their lawn, make many necessary home repairs, or perform all their own house cleaning. Consequently, blind persons pay for these services that would ordinarily be performed by those with sight. An employed blind person will frequently live near their place of employment, which may result in a higher rent than if he/she could live elsewhere. Thus, it was the incurring of additional expenses on account of blindness that was recognized when a special tax concession was first allowed blind taxpayers.

Initially, in introducing the provision as a deduction in the Revenue Act of 1943, the House Ways and Means Committee stated “the committee has provided for a special deduction of \$500 from the gross income of every blind person in order to cover the expenses resulting directly from blindness, such as the cost of readers and guides. This would relieve many blind persons of any tax whatsoever, and would reduce the tax of other blind persons.”² In a later tax bill (which became the Revenue Act of 1948) the deduction was changed to an additional personal exemption amount of \$600 on the basis

¹ A footnote in the *General Explanation of the Tax Reform Act of 1986 (H.R. 3838, 99th Congress; Public Law 99-514)* prepared by the Staff of the Joint Committee on Taxation defines such “expenses of a handicapped individual (as defined in sec. 190(b)(3)) for attendant care services at the individual’s place of employment that are necessary for such individual to be able to work, provided such expenses are otherwise deductible under sec. 162.” For further discussion of the floor on deductibility of employee business expenses see the “*General Explanation ...*” at pages 76-81.

² U.S. Congress, House Committee on Ways and Means, *The Revenue Bill of 1943*, report to accompany H.R. 3687, H.Rept. 871, 78th Cong., 1st sess. (Washington: GPO, 1943), p. 21.

of these same considerations. In discussing the change, the House Ways and Means Committee noted that blind persons were benefitted by more than the \$100 increase in amount. By substituting the exemption for the deduction, blind persons did not forfeit the ability to use the standard deduction. Additionally, as a personal exemption, it was easier to reflect the tax benefit in the income tax withholding tables so that tax relief was provided throughout the year rather than having to wait for a refund after tax filing.³

The tax provision for the blind in the Revenue Act of 1948 was incorporated in the *Internal Revenue Code of 1954*, substantially unchanged. As the personal exemption increased over the years, so too did the amount of the additional exemption provided the blind. The exemption amount increased from \$625 in 1970 to \$1,080 in 1986.

A comprehensive revision of the income tax code was made with enactment of the Tax Reform Act of 1986 — designed to lead to a fairer, more efficient and simpler tax system. The act broadened the tax base so that tax rates could be lowered by removing the preferential treatment of certain classes of income and expenditures (e.g., capital gains, two-earner wage deduction, personal interest deductions, etc.). Further, the act provided for the repeal of the dividend exclusion, the political contributions credit and the provision of income averaging for all taxpayers. Both the personal exemption amount and the standard deduction amounts were raised, thus reducing the number of taxpayers who would find it advantageous to itemize their deductions. Further, the act repealed the additional personal exemption amount for the blind (and elderly) and in its place instituted an extra standard deduction amount for both blind and/or elderly taxpayers. This additional standard deduction amount is combined with the increased standard deduction provided by the 1986 act.⁴ Both the standard deduction and additional standard deduction amount for blind and/or elderly taxpayers were indexed for inflation in future years.

In general, higher income taxpayers are more likely to itemize while lower and moderate income taxpayers more frequently use the standard deduction. The personal exemption is typically of greater value to higher income than lower income taxpayers.⁵ Thus, Congress in the 1986 tax act effectively targeted the tax benefits to lower and moderate income elderly and blind taxpayers by substituting an additional standard deduction amount for the additional personal exemption permitted under prior law.

³ U.S. Congress, House Committee on Ways and Means. Revenue Act of 1948, report to accompany H.R. 4790, H.Rept. 1274, 80th Cong., 2nd sess. (Washington: GPO, 1948), p. 20-21.

⁴ The higher standard deduction amounts were effective one year earlier (1987) for elderly or blind individuals.

⁵ The 1986 act provided that beginning in 1988, the personal exemption is reduced (or phased out serially) for high-income taxpayers. The phaseout levels are adjusted for inflation. In the Economic Growth and Tax Relief Reconciliation Act of 2001, P.L. 107-16, a modification provides for a five-year phase-in of the repeal of the personal exemption phase-out beginning in 2006.

Assessment

Advocates of the blind justify special tax treatment on the basis of need. It is argued that the blind face increased living costs. These costs arise from the need to hire readers and guides, etc. The blind are also frequently faced with additional expenses associated with earning income. These expenses are typically in the form of cab fares, specialized work equipment, etc. To the extent that the blind make these expenditures, it affects their ability to pay income taxes. Thus, the extra standard deduction amount can be seen as an attempt to compensate the blind for these added living and business expenses. However, as discussed below, it may also be said that the additional standard deduction accorded the blind does not meet horizontal equity principles in that all taxpayers with equal net incomes are not treated equally.

Many blind individuals have low incomes. Low-income taxpayers most frequently use the standard deduction while higher income taxpayers are more likely than low-income individuals to itemize deductible items. Thus, as an additional standard deduction amount, this tax benefit for the blind is more likely to go to lower or moderate income blind taxpayers than higher income blind taxpayers who are more likely to itemize deductions.

However, if this tax provision is truly based on need, then one objection opponents offer is that the provision does not offer equivalent treatment to other taxpayers with different handicapping conditions who may be in as much need of tax relief. For, just as the blind often incur special expenses due to their blindness, many other handicapped persons (e.g. amputees, learning disabled, hearing impaired, etc.) also incur special expenses due to their individual impairments. Some of the special expenditures made by the blind are frequently the same types of expenditures made by those with other handicapping conditions (i.e., travel costs to work or home, upkeep and repair services). Further, like the blind, the handicapped as a class usually have low incomes.

It has been suggested that equity may not be the best tool to measure the merits of the additional standard deduction for blind taxpayers. Rather than equity, the question has been raised as to its effectiveness (that is, does the added standard deduction amount aid those needing tax relief?). The provision fails the effectiveness test since some low-income blind individuals, who already would be exempt from tax without the benefit of the additional standard deduction amount, receive no benefit. While these individuals are the most in need of financial assistance, they receive no benefit from the tax concession. Additionally, the provision does not benefit those blind taxpayers who itemize deductions (for example, those with large medical expenditures). Moreover, the value of the additional standard deduction amount is of greater benefit to higher rather than lower income taxpayers (in those cases where the taxpayer does not itemize). As mentioned in the brief summary of the law, a taxpayer that supports a blind dependent may not claim the additional standard deduction amount. Some believe that a taxpayer who incurs additional expenses on behalf of a blind dependent has as much justification to claim the additional standard deduction amount as that dependent.

Questions arise as to why the provision for the blind has not spread to those taxpayers with other serious handicapping conditions. The legislative history indicates that administrative reasons initially precluded the addition of other handicapping

provisions.⁶ Critics have argued that if it is appropriate and desirable to provide a subsidy to the lower-income blind, then similar subsidies should also be provided to other lower-income groups facing equivalent handicaps. Some have supported a shift from tax provisions to a grant program, since under a grant program, the revenue costs are known and benefits precisely targeted with conclusive rules and regulations. (However, a grant results in taxable income to the recipient unless specifically excluded by statute.)

The current provision leads to pressures for tax concessions from other similar groups. However, the passage of an act, which allows many other handicaps the same tax advantage as the blind, would result in a substantial loss of revenue to the federal government. In general, enforcement procedures under the congressional budget process may raise significant hurdles to the consideration of legislation that would cause an additional revenue loss that is not accommodated by the annual budget resolution. Even so, legislation proposing such a revenue loss may be considered without triggering procedural sanctions if it is supported by majorities in the House and Senate sufficient to waive the enforcement procedures. Additional enforcement procedures based in statute (i.e., the “pay-as-you-go” requirement and limits on discretionary spending) effectively expired at the end of FY2002, and Congress and the President have not agreed on whether to renew them. Although it is true that more attention is focused on tax expenditures than in the past, they are still seen by many as “hidden” expenditures. A disadvantage of tax expenditures is that since they are not acted upon in the normal budgetary process, they are able to grow in revenue size and are not subject to periodic review. The Joint Committee on Taxation estimated that the revenue cost over the five fiscal years of 2007-2011 will be \$8.9 billion for those who use the additional standard deductions available to the elderly and blind.

⁶ The question became which handicaps to recognize and if the tax benefit should be scaled (i.e., do you provide the same level of benefit for a taxpayer that has lost one leg as a taxpayer that has lost both arms or all limbs?). At what point do you provide a tax benefit for those with hearing loss, etc.?