



*News From*

**U.S. Congressman Jim DeMint**  
***Serving South Carolina's Fourth District***

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**Reps. DeMint, Slaughter Introduce Bipartisan Bill  
to Reduce Drug Costs for Low-Income Americans**

*Legislation Will Make Over the Counter Medicines Tax Deductible*

(WASHINGTON, D.C.) – U.S. Representatives Jim DeMint (R-S.C.) and Louise McIntosh Slaughter (D-N.Y.) today announced the introduction of H.R. 3596, the “OTC Medicine Tax Fairness Act,” legislation that will make over-the-counter medicines tax deductible. Under current law, the cost of prescription drugs, insulin, and most out-of-pocket healthcare costs may be included as a deductible medical expense, while OTC medicines cannot.

“American consumers, who already pay astronomical drug prices, should not be punished when their medicines transition from prescription to over-the-counter status. Under current law, the minute a medicine switches from prescription to over-the-counter (OTC) status it is no longer a tax deductible medical expense. This legislation will correct this inequity in our tax code and help millions of American consumers, particular low-income earners afford critical medicines,” DeMint said, adding that taxpayers in low-income brackets used the medical expense tax deduction much more frequently than taxpayers in high-income brackets.

The Internal Revenue Service (IRS) has recently acknowledged the value of OTCs as real medicines in a ruling which allows for the cost of these products to qualify for reimbursement from flexible spending accounts. This legislation will expand on the IRS ruling, providing the tax savings to millions more Americans by allowing OTC medicines to be included as a deductible medical expense.

“This bill will take an important step forward in making high health care costs easier to manage,” said Slaughter. “As more drugs shift from prescription to over-the-counter status, it is imperative that the tax code keeps up. Patients with conditions that require the regular use of over-the-counter products should not be penalized. People with chronic arthritis, for example, can spend a fortune on non-prescription remedies and pain medications on top of their prescription drugs. They should be entitled to the same tax deduction for their over-the-counter medications that they receive for their prescriptions.”

“It makes no sense that if a doctor prescribes a smoking cessation program the cost is tax deductible, but if a smoker seeks treatment on his or her own with an over-the-counter medicine that cost is not. Nor does it make sense that a drug like Claritin was tax deductible when it was available through a prescription, but ceased to be tax deductible the moment it became available as an over-the-counter medicine. Congress should encourage preventative and cost effective care, not penalize consumers for choosing less expensive and less complicated options. In a health care system dominated by perverse incentives, this is an easy perverse incentive to get rid of,” DeMint said.

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According to the most recent economic data, more than five percent of taxpayers claimed the medical expense deduction in 2000. Of those taxpayers, 56 percent earned less than \$20,000 per year and 35 percent earned between \$20,000 and \$30,000 per year. Studies have also indicated that every dollar spent on OTCs yields \$2.47 in health care savings (Kline & Company 1997).

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