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UPDATED: Obamacare Plan Is a Net Tax Hike of \$748 Billion

Many of the Tax Hikes Fall on Families Making Less Than \$250,000

WASHINGTON, D.C.— Today, the White House released [President Obama's draft healthcare plan](#). Below is a comprehensive analysis of all the tax provisions (**Note: these estimates have been updated to reflect changes made in the effective date of the “Cadillac plan” excise tax relative to the Senate bill, and to reflect a report from Bloomberg citing a White House source that net capital gains are included in the “unearned income” Medicare payroll tax**). Where possible, scores have been assigned based on earlier versions of the legislation passed by the [Senate](#), the [President's budget](#), and (in the case of applying the Medicare tax to unearned income) ATR staff estimates based on IRS data (all scores are 10-year estimates):

***** Overall proposal is a net tax hike of \$748 billion over 10 years *****

Title I (Net tax hike of \$85 billion)

- *Same individual credit as Senate bill (-\$102 billion)*
- *Same small business credit as Senate bill (-\$38 billion)*
- *Reinsurance program (\$121 billion)*
- *Individual and employer insurance mandate penalties (\$43 billion)*
- *Associated effects on coverage provisions (\$61 billion)*

Title IX (Net tax hike of \$663 billion)

- *Corporate 1099-MISC information reporting (\$17 billion):* Requires businesses to send 1099-MISC information tax forms to corporations (currently limited to individuals), a huge compliance burden for small employers
- *Black liquor credit repeal (\$24 billion):* This is an excise tax hike which is contained in the President's budget
- *Economic substance doctrine (\$4 billion):* This would require taxpayers to prove to the IRS that a perfectly-legal tax deduction or strategy is "economically substantial," and not simply a way to pay less in taxes
- *Medicare payroll tax hike (\$87 billion):* Increases Medicare payroll tax rate from 2.9 percent to 3.8 percent on wages and self-employment income which exceeds \$200,000 (\$250,000 married)
- *Apply Medicare tax to unearned income (\$334 billion):* Would apply the current 2.9 percent Medicare tax rate to unearned income in households earning at least \$200,000 or \$250,000 married

(interest, dividends, capital gains, rent, royalties, and passive investment in pass-throughs like S-corporations and partnerships)

- *Cadillac plan excise tax (\$60 billion)*: 40 percent excise tax on health insurance plans to the extent they exceed \$27,500 in cost for family plans, and \$10,200 for single plans (starting in 2018)
- *Innovator medicine company tax (\$22 billion)*: \$2.3 billion annual tax on the industry imposed relative to share of sales made that year
- *Medical device manufacturer tax (\$19 billion)*: \$2 billion annual tax on the industry imposed relative to shares of sales made that year. Exempts items retailing for <\$100. Rises to \$3 billion annually in 2017
- *Health insurance company tax (\$60 billion)*: \$10 billion annual tax on the industry imposed relative to health insurance premiums collected that year. Phases in gradually until 2017. Fully-imposed on firms with \$50 million in profits
- *Tanning tax (\$3 billion)*: New 10% excise tax on indoor tanning salons
- *Increase HSA distribution penalty by 10 percentage points (\$1 billion)*: Increases additional tax on non-medical early withdrawals from an HSA from 10 to 20 percent, disadvantaging them relative to IRAs and other tax-advantaged accounts, which remain at 10 percent.
- *\$2500 FSA cap a.k.a. special needs kiddie tax (\$13 billion)*: Imposes cap on FSAs of \$2500 (now unlimited). Indexed to inflation after 2011
- *Employer-provided retiree Rx deduction repeal (\$5 billion)*
- *Medical itemized deduction "haircut" raised from 7.5 to 10 percent of AGI (\$15 billion)*
- *\$500,000 executive compensation limit for health insurance companies (\$1 billion)*
- *Miscellaneous tax relief (-\$2 billion)*

Interestingly, the draft release from the White House seemingly lacks the following tax hikes which were contained in the Senate bill:

- *Employer reporting of insurance costs on W-2 (no revenue effect)*
- *Excise tax on charitable hospitals (no revenue effect)*
- *Blue Cross/Blue Shield tax hike (\$400 million)*
- *"Medicine cabinet tax" (limiting the purchase of non-Rx, over-the-counter medicines from HSAs, FSAs, and HRAs, \$5 billion)*

Americans for Tax Reform is a non-partisan coalition of taxpayers and taxpayer groups who oppose all tax increases. For more information or to arrange an interview please contact John Kartch at (202) 785-0266 or by email at jkartch@atr.org.

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