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Obama to Sign Massive Tax Hike on Working Families in Violation of His Campaign Pledge

Seven tax hikes in the health bill hit families making less than \$250,000

WASHINGTON, D.C. – President Obama is about to break his central campaign promise: a “firm pledge” not to raise “any form” of taxes on families making less than \$250,000 per year. The healthcare bill passed by the House and Senate contains seven taxes that unquestionably violate Obama’s pledge.

(Page numbers reference ORIGINAL REID-OBAMA BILL unless noted):

Individual Mandate Excise Tax (Page 324/Sec. 1501/Jan 2014*): Starting in 2014, anyone not buying “qualifying” health insurance must pay an income surtax according to the higher of the following (page 71 of manager’s amendment updates Reid bill):

| | Single | 2 People | 3+ People |
|-------|----------------|----------------|-----------------|
| 2014 | \$495/0.5% AGI | \$990/0.5% AGI | \$1485/0.5%/AGI |
| 2015 | \$495/1.0% AGI | \$990/1.0% AGI | \$1485/1.0%/AGI |
| 2016+ | \$495/2.0% AGI | \$990/2.0% AGI | \$1485/2.0%/AGI |

Exemptions for religious objectors, undocumented immigrants, prisoners, those earning less than the poverty line, members of Indian tribes, and hardship cases (determined by HHS).

Employer Mandate Tax (Page 348/Sec. 1513/Jan 2014*): Small business owners pay their business taxes on their personal 1040 forms. This tax does not exempt startup small business owners even if they make less than \$250,000. If the employer does not offer health coverage, and at least one employee qualifies for a health tax credit, the employer must pay an additional non-deductible tax of \$750 for all full-time employees. Applies to all employers with 50 or more employees.

If the employer requires a waiting period to enroll in coverage of 30-60 days, there is a \$400 tax per employee (\$600 if the period is 60 days or longer).

Medicine Cabinet Tax (Page 1997/Sec. 9003/\$5 bil/Jan 2011): Americans would no longer be able to use health savings account (HSA), flexible spending account (FSA), or health reimbursement (HRA) pre-tax dollars to purchase non-prescription, over-the-counter medicines (except insulin).

HSA Withdrawal Tax Hike (Page 1998/Sec. 9004/\$1.3 bil/Jan 2011): 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.

Flexible Spending Account Cap – aka “Special Needs Kids Tax” (Page 1999/Sec. 9005/\$14 bil/Jan 2011): Imposes cap on FSAs of \$2500 (now unlimited). Indexed to inflation after 2011 (added on page 363 of manager’s amendment). There is one group of FSA owners for whom this new cap will be particularly cruel and onerous: parents of special needs children. There are thousands of families with special needs children in the United States, and many of them use FSAs to pay for special needs education. Tuition rates at one leading school that teaches special needs children in Washington, D.C. ([National Child Research Center](#)) can easily exceed \$14,000 per year. Under tax rules, FSA dollars can be used to pay for this type of special needs education.

Medical Itemized Deductions Cap (Page 2034/Sec. 9013/\$15.2 bil/Jan 2013): Currently, those facing high medical expenses are allowed a deduction if the total cost of the expenses reduces the filer’s income by 7.5%. The new provision would impose a threshold of 10%. This new tax will most adversely affect early retirees and the catastrophically ill. Waived for 65+ taxpayers in 2013-2016 only.

Tax on Indoor Tanning Services (Page 373 of Manager’s amendment/\$2.7 billion/July 1, 2010): New 10% excise tax on Americans using indoor tanning salons

NONE OF THE ABOVE PROVISIONS EXEMPTS FAMILIES MAKING LESS THAN \$250,000

* CBO Estimates That the Mandate Tax Penalties Will Raise \$39 billion from 2010-2019

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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