



RAFT OF NEW TAX INCREASES IN HOUSE DEMOCRAT HEALTH CARE BILL SPELLS TROUBLE FOR TAXPAYERS

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A draft of the House Democrat health care bill is out, and it's been leaked to ATR staff. There are several major tax increases in here, most of which violate the [Taxpayer Protection Pledge](#). They include:

- a **tax on individuals failing to sign up for health care** equal to the lesser of 2.5% of adjusted gross income (AGI) or the average individual premium amount
- a **tax on employers for not providing a health care plan** equal to 8% of payroll. This becomes 0, 4, or 6 percent of payroll as payday totals dip below \$400,000 annually
- a new and undetermined **excise tax on health insurance plans**
- **codification of the "economic substance doctrine,"** whereby businesses would not be able to avoid engaging in legal tax avoidance techniques without demonstrating a bona fide business purpose
- **delay of worldwide interest allocation,** a baby step toward the full double-taxation of corporate profits earned overseas
- The big one--a new **"surtax"** on the AGI of [small businesses](#) and other high income earners. Here's the details:

1% on AGI of \$350,000 to \$500,000

1.5% on AGI of \$500,000 to \$1,000,000

5.4% on AGI of over \$1,000,000

Those brackets are 50% if you're Married Filing Separately and 80% if you're Single or Head of Household.

This will result in a top rate of 45%, and a capital gains rate of over 25%. It's more than that when you factor in that this surtax is not on taxable income, but on adjusted gross income. Factoring that plus state income tax in means that the top rate will exceed 50%, and the capital gains rate will exceed 30%.