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Obama Lied, His Tax Pledge Died

Obama endorses House health bill loaded with pledge-breaking tax hikes

WASHINGTON, D.C.— By [formally endorsing](#) the House healthcare bill today, President Barack Obama effectively announced that the central promise of his 2008 campaign was a lie.

During the campaign, Obama made a “firm pledge” not to raise “[any form](#)” of taxes on families making less than \$250,000 per year:

“I can make a firm pledge. Under my plan, no family making less than \$250,000 a year will see [any form](#) of tax increase. Not your income tax, not your payroll tax, not your capital gains taxes, not [any of your taxes](#)” (September 12, 2008, Dover, NH)

[\[Transcript\]](#) [\[Video clip\]](#)

“No one making less than \$250,000 under Barack Obama's plan will see one single penny of their tax raised,” Joe Biden said, “whether it's their capital gains tax, their income tax, investment tax, [any tax](#).” (Joe Biden, Oct. 3, 2008, Vice Presidential Debate, St. Louis, MO)

[\[Transcript\]](#) [\[Video Clip\]](#)

Further, on April 15, 2009, White House spokesman Robert Gibbs was asked if the President’s tax pledge applies “to the health care bill” to which Gibbs replied:

“The statement didn’t come with caveats.” (White House Briefing) [\[Transcript\]](#)

Further, on August 3, 2009, Gibbs is once again asked about the President’s tax pledge, to which Gibbs replied:

“I am reiterating the President's clear commitment in the clearest terms possible, that he's not raising taxes on those who make less than \$250,000 a year.” (White House Briefing) [\[Transcript\]](#)

Yet today, Obama [formally endorsed](#) H.R. 3962, which is loaded with tax hikes on families making less than \$250,000 per year. Here’s how:

Health Insurance Mandate Taxes on Working Families

- **Individual Mandate Excise Tax** (Page 296): If an individual fails to obtain qualifying coverage, he must pay an income surtax equal to the lesser of 2.5 percent of modified adjusted gross income (MAGI) or the average premium. MAGI adds back in the foreign

earned income exclusion and municipal bond interest. There is no exception for families making less than \$250,000.

- **Employer Mandate Payroll Tax** (Page 275): If an employer does not pay 72.5 percent of a single employee's health premium (65 percent of a family employee), the employer must pay an excise tax equal to the following schedule:

<i>Payroll Tax Rate</i>	<i>Average Payroll Size</i>
N/A	<\$500,000
2%	\$500,000-\$585,000
4%	\$585,000-\$670,000
6%	\$670,000-\$750,000
8%	\$750,00<

Small business owners pay their taxes on their owners' personal tax returns. Since this provision does not exempt business owners making less than \$250,000 per year, this employer mandate tax will violate President Obama's promise in some cases.

Tax Hikes on Healthcare Spending Accounts

- **Cap on Flex-Spending Account (FSA) contributions at \$2500** (Page 325): Currently, the contribution level is unlimited
- **Medicine Cabinet Tax** (Page 324): Americans would no longer be able to purchase over-the-counter medicines with their FSA, Health Savings Account (HSA), or Health Reimbursement Arrangement (HRA)
- **Increase in the Non-Qualified HSA Distribution Penalty from 10% to 20%** (Page 326): This makes HSAs less attractive, and paves the way for HSA pre-verification

There are 30 million Americans with FSAs. About 8 million Americans have an HSA. Virtually all of them make less than \$250,000 per year. These are clear tax hikes on these families

Making Legal Tax Deductions Not So Legal

- **Codification of the "Economic Substance Doctrine"** (Page 349): Empowers the IRS to disallow a perfectly legal tax deduction or other tax relief merely because the IRS deems that the motive of the taxpayer was not primarily business-related.

There is no exception for families making less than \$250,000 per year.

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.