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Do House Democrats Not Care About Obama's Tax Pledge?

WASHINGTON, D.C.— During his campaign, President Obama made a “firm pledge” not to raise “[any form](#)” of taxes on families making less than \$250,000 per year. Yet, the U.S. House of Representatives is getting ready to consider a government healthcare bill which does just that. 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%	\$750,000<

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.

If President Obama is serious about his tax pledge, he should immediately renounce the bill.

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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