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CONTACT: John Kartch

jkartch@atr.org

202-785-0266

Obamacare Tax Hikes: One Down, Twenty to Go

President signs first Obamacare tax hike repeal – 1099 small business paperwork tax

WASHINGTON, DC – President Obama on Thursday signed into law the first repeal of an Obamacare tax hike: the 1099 small business paperwork tax. This Obamacare tax would have required every business in America to issue a “1099” tax form to every office supply store, gas station, restaurant, etc. from which they bought at least \$600 in goods and services throughout the year.

The President’s signature on 1099 repeal means that there are now 20 new or higher taxes left in the Obamacare law, down from the original 21 tax hikes. Taken together, these constitute one of the largest tax increases in American history. Seven of the remaining tax hikes hit families making less than \$250,000 per year, in direct violation of President Obama’s campaign promise not to raise “any form” of taxes on these families.

Below is the total list of all \$500 billion-plus in tax hikes (over the next ten years) remaining in Obamacare, where to find them in the bill, when they will take effect, and how much your taxes will go up:

~~(REPEALED) 1. Corporate 1099-MISC Information Reporting~~ (Tax hike of \$17.1 bil/takes effect Jan. 2012): Requires businesses to send 1099-MISC information tax forms to corporations (currently limited to individuals), a huge compliance burden for small employers. *Bill: PPACA; Page: 1,960-1,961*

2. Individual Mandate Excise Tax (takes effect in Jan 2014): Starting in 2014, anyone not buying “qualifying” health insurance must pay an income surtax according to the higher of the following

	1 Adult	2 Adults	3+ Adults
2014	1% AGI/\$95	1% AGI/\$190	1% AGI/\$285
2015	2% AGI/\$325	2% AGI/\$650	2% AGI/\$975
2016 +	2.5% AGI/\$695	2.5% AGI/\$1390	2.5% AGI/\$2085

Exemptions for religious objectors, undocumented immigrants, prisoners, those earning less than the poverty line, members of Indian tribes, and hardship cases (determined by HHS). *Bill: PPACA; Page: 317-337*

3. Employer Mandate Tax (takes effect Jan. 2014): If an 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 \$2000 for all full-time employees. Applies to all employers with 50 or more employees. If any employee actually receives coverage through the exchange, the penalty on the employer for that employee rises to \$3000. 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). **Bill: PPACA; Page: 345-346**

Combined score of individual and employer mandate tax penalty: \$65 billion/10 years

4. Surtax on Investment Income (Tax hike of \$123 billion/takes effect Jan. 2013): Creation of a new, 3.8 percent surtax on investment income earned in households making at least \$250,000 (\$200,000 single). This would result in the following top tax rates on investment income: **Bill: Reconciliation Act; Page: 87-93**

	Capital Gains	Dividends	Other*
2011-2012	15%	15%	35%
2013+ (current law)	23.8%	43.4%	43.4%
2013+ (Obama budget)	23.8%	23.8%	43.4%

**Other unearned income includes (for surtax purposes) gross income from interest, annuities, royalties, net rents, and passive income in partnerships and Subchapter-S corporations. It does not include municipal bond interest or life insurance proceeds, since those do not add to gross income. It does not include active trade or business income, fair market value sales of ownership in pass-through entities, or distributions from retirement plans. The 3.8% surtax does not apply to non-resident aliens.*

5. Excise Tax on Comprehensive Health Insurance Plans (Tax hike of \$32 bil/takes effect Jan. 2018): Starting in 2018, new 40 percent excise tax on "Cadillac" health insurance plans (\$10,200 single/\$27,500 family). Higher threshold (\$11,500 single/\$29,450 family) for early retirees and high-risk professions. CPI +1 percentage point indexed. **Bill: PPACA; Page: 1,941-1,956**

6. Hike in Medicare Payroll Tax (Tax hike of \$86.8 bil/takes effect Jan. 2013): Current law and changes:

	First \$200,000 (\$250,000 Married) Employer/Employee	All Remaining Wages Employer/Employee
Current Law	1.45%/1.45% 2.9% self-employed	1.45%/1.45% 2.9% self-employed
Obamacare Tax Hike	1.45%/1.45% 2.9% self-employed	1.45%/2.35% 3.8% self-employed

Bill: PPACA, Reconciliation Act; Page: 2000-2003; 87-93

7. Medicine Cabinet Tax (Tax hike of \$5 bil/took effect Jan. 2011): Americans no longer 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). **Bill: PPACA; Page: 1,957-1,959**

8. HSA Withdrawal Tax Hike (Tax hike of \$1.4 bil/took effect 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. *Bill: PPACA; Page: 1,959*

9. Flexible Spending Account Cap – aka “Special Needs Kids Tax” (Tax hike of \$13 bil/takes effect Jan. 2013): Imposes cap on FSAs of \$2500 (now unlimited). Indexed to inflation after 2013. 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. *Bill: PPACA; Page: 2,388-2,389*

10. Tax on Medical Device Manufacturers (Tax hike of \$20 bil/takes effect Jan. 2013): Medical device manufacturers employ 360,000 people in 6000 plants across the country. This law imposes a new 2.3% excise tax. Exempts items retailing for <\$100. *Bill: PPACA; Page: 1,980-1,986*

11. Raise "Haircut" for Medical Itemized Deduction from 7.5% to 10% of AGI (Tax hike of \$15.2 bil/takes effect Jan. 2013): Currently, those facing high medical expenses are allowed a deduction for medical expenses to the extent that those expenses exceed 7.5 percent of adjusted gross income (AGI). The new provision imposes a threshold of 10 percent of AGI. Waived for 65+ taxpayers in 2013-2016 only. *Bill: PPACA; Page: 1,994-1,995*

12. Tax on Indoor Tanning Services (Tax hike of \$2.7 billion/took effect July 2010): New 10 percent excise tax on Americans using indoor tanning salons. *Bill: PPACA; Page: 2,397-2,399*

13. Elimination of tax deduction for employer-provided retirement Rx drug coverage in coordination with Medicare Part D (Tax hike of \$4.5 bil/takes effect Jan. 2013) *Bill: PPACA; Page: 1,994*

14. Blue Cross/Blue Shield Tax Hike (Tax hike of \$0.4 bil/took effect Jan. 1 2010): The special tax deduction in current law for Blue Cross/Blue Shield companies would only be allowed if 85 percent or more of premium revenues are spent on clinical services. *Bill: PPACA; Page: 2,004*

15. Excise Tax on Charitable Hospitals (Min\$/took effect immediately): \$50,000 per hospital if they fail to meet new "community health assessment needs," "financial assistance," and "billing and collection" rules set by HHS. *Bill: PPACA; Page: 1,961-1,971*

16. Tax on Innovator Drug Companies (Tax hike of \$22.2 bil/took effect Jan. 2010): \$2.3 billion annual tax on the industry imposed relative to share of sales made that year. *Bill: PPACA; Page: 1,971-1,980*

17. Tax on Health Insurers (Tax hike of \$60.1 bil/takes effect Jan. 2014): Annual tax on the industry imposed relative to health insurance premiums collected that year. Phases in gradually until 2018. Fully-imposed on firms with \$50 million in profits. *Bill: PPACA; Page: 1,986-1,993*

18. **\$500,000 Annual Executive Compensation Limit for Health Insurance Executives** (Tax hike of \$0.6 bil/takes effect Jan 2013). *Bill: PPACA; Page: 1,995-2,000*

19. **Employer Reporting of Insurance on W-2** (\$min/takes effect Jan. 2012): Preamble to taxing health benefits on individual tax returns. *Bill: PPACA; Page: 1,957*

20. **“Black liquor” tax hike** (Tax hike of \$23.6 billion/took effect immediately). This is a tax increase on a type of bio-fuel. *Bill: Reconciliation Act; Page: 105*

21. **Codification of the “economic substance doctrine”** (Tax hike of \$4.5 billion/took effect immediately). This provision allows the IRS to disallow completely-legal tax deductions and other legal tax-minimizing plans just because the IRS deems that the action lacks “substance” and is merely intended to reduce taxes owed. *Bill: Reconciliation Act; Page: 108-113*

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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