



The Baucus Health Reform Bill Violates the President’s Tax Promise

President Obama has repeatedly promised that he would not raise taxes on families earning less than \$250,000 “one single dime.” Several analysts have shown that he will violate this pledge if he signs into law the Baucus bill.

The tax increases in the Baucus bill come mainly from a 40 percent excise tax on high-value health insurance plans and from \$92 billion in new fees on manufacturers and importers of branded drugs and certain medical devices, as well as health insurance providers. Representatives from both the Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) testified before the Finance Committee that these taxes will almost entirely be passed on to the consumer, meaning that even though Democrats have tried to hide the cost, average Americans who purchase health plans and use medical services from prescription drugs to crutches will be the ones who end up footing the bill.

Data from the JCT and former CBO Director Douglas Holtz-Eakin show that by 2019, 89 percent of the taxes will be paid by taxpayers earning less than \$200,000 a year. The table below summarizes their findings.

Total distributional impact of the excise tax on high-value plans and fees on health industry

Dollar amounts in millions

Income Category	2013			2019		
	Change in Federal Taxes	% Change In Taxes	Cumulative % of Change	Change in Federal Taxes	% Change In Taxes	Cumulative % of Change
Less than 50k	\$9,282	28.2%	28.2%	\$15,600	21.5%	21.5%
50k to 75k	\$6,080	18.4%	46.5%	\$13,972	19.3%	40.8%
75k to 100k	\$4,901	14.8%	61.4%	\$11,752	16.2%	57.0%
100k to 200k	\$9,633	29.2%	90.6%	\$22,964	31.7%	88.7%
200k and over	\$3,109	9.5%	100.0%	\$8,192	11.3%	100.0%
Total	\$33,007	100.0%		\$72,480	100.0%	

In addition to these indirect taxes, individual mandate penalties in the Baucus bill will also come from middle class Americans: JCT found that in 2016 at least 71 percent of the individual mandate penalties will come from people earning less than \$250,000. At least \$2 billion of the \$2.8 billion raised from the penalties in 2016 would come from Americans earning less than 500 percent of the Federal Poverty Line, or \$120,000 for a family of four and \$59,000 for a single person.

What happened to President Obama’s pledge? “And I can make a firm pledge: under my plan, no family making less than \$250,000 will see their taxes increase – not your income taxes, not your payroll taxes, not your capital gains taxes, not any of your taxes.”^[i]

^[i] Remarks of presidential candidate Barack Obama in Dover, NH, September 12, 2008, as quoted at: <http://thepage.time.com/prepared-remarks-for-obamas-event-in-dover-new-hampshire/>