



Written by [Steven J. DuBord](#) on July 10, 2009

Conflict Over Taxing Health Benefits

Republicans and some Democrats have been supporting removal of the tax-exempt status on employer-provided health insurance for policies that exceed the basic plan offered to federal employees, a threshold estimated to be \$17,000 per year for a family. Such a tax strategy would bring an estimated \$320 billion into federal coffers to help offset the roughly \$1 trillion price tag for health care reform. Without additional revenue such as this, reform plans would only increase the federal deficit.



Yet opposition to the tax has come from states with a large number of unionized workers. They would suffer greatly from having their benefits taxed. A [July 8 AFL-CIO blog entry](#) quotes Sheet Metal Workers President Michael J. Sullivan as saying: "Any bill that taxes health care benefits is dead on arrival.... We are already subsidizing employers who don't provide health care benefits and are being punished because we've done the right thing, our employers have done the right thing and our members have sacrificed wage increases for their health care benefits. So why are we the ones who are being penalized?"

Complaints like Sullivan's are being heard by senators who are up for re-election next year, such as Senator Barbara Boxer (D-Calif.). "Working people in many cases have given up raises in pay and instead have gotten health benefits," she said. "So it seems unfair to now tax their benefits. I think that would be changing the rules in the middle of the game in a way that is so harmful and would set them back, so I have a real problem with that." If Boxer and others don't take this position, they will apparently have a real problem with being re-elected.

Senator Kent Conrad (D-N.D.), a member of the Finance Committee, has mentioned that other options are on the table, such as taxing benefits over a higher limit like \$25,000 a year, though that would yield only \$90 billion. This option may still face opposition, and, in any case, generates hundreds of billions less in revenue than the \$17,000 plan.

It is unfortunate that the Senate is really only considering how to take more money away from hard-working Americans without arousing enough anger to jeopardize their re-election. If only they would go all the way and consider reform that separates jobs and insurance, ends tax discrimination against the self-employed and those who must purchase their own insurance, and restores competition and



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personal freedom by allowing health insurance to be purchased across state lines. That would be the kind of true reform for which they could actually deserve to remain in office.



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