



Written by [Joe Wolverton, II, J.D.](#) on April 12, 2010

ObamaCare and Taxes: Promises Broken

A new Gallup poll reports that President Barack Obama's approval rating has dropped below 50 percent for the first time since his inauguration. Respondents in that poll indicated that the healthcare law (the Patient Protection and Affordable Care Act) that the President signed on March 23 amid praise and proclamations is just too costly.

Among the most notable taxes ObamaCare places on the backs of the working middle class is the individual mandate. Simply stated, under the provisions of the new law, if by 2014 every individual legally residing in America has not purchased a qualifying health insurance policy, then he is subject to a tax penalty. There is no wiggle room on that one. No matter your age, income, or how much you believed in his promises, President Obama's healthcare "reform" forces you to purchase a commodity whether you like it or not.



Another less apparent aspect of the insidious tax increases that will undoubtedly devolve upon the middle class is the class of indirect taxes that the law imposes on the healthcare sector (the sixth largest industry in the American economy, mind you). These taxes, as with most other increases in overhead, will surely be passed on to consumers, thus representing a stealth tax increase.

Other new healthcare taxes are not so hidden, however. When adding up all the new taxes and penalties written into the new law, the bottom line reveals that most of that money will be paid by those individuals earning \$200,000 and families earning \$250,000. Just so no one feels left out, however, there are plenty of tax hikes especially targeted to every American, regardless of income.

The individual mandate that I referenced above requires that every person legally present in the United States (yes, that said "legally" present in the United States. Do I need to explain what that means for illegals? All the benefits and none of the penalties) must buy an approved healthcare insurance policy. Failure to comply will result in a penalty of 2.5 percent of the offender's income or \$695, depending on whether the person makes more or less than \$30,000 a year.

Never fear, small business owner. President Obama is spreading the mandate love around, and you will get a heaping handful! According to Section 1513 of the Act (euphemistically entitled "Shared Responsibility for Employers"), any business (including small businesses with revenue less than \$250,000 a year) must provide health insurance options to their employees or face fines and penalties. If the employer does not make a qualifying health insurance policy available to its employees, then they will be assessed a penalty (tax) of \$750 per full-time employee. The tax is reduced slightly if employers do offer health insurance but make their employees cross a threshold probation period before it kicks in



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(30-60 day waiting period = \$400/employee tax; 60+ day waiting period = \$600/employee tax). Don't delay, small business owners! It's not just the money you earn that will be taxed under the President's pet plan, however. Savings accounts are in the crosshairs, as well. Under the PPACA, pre-tax money from health savings accounts, flexible savings accounts, or health reimbursement accounts may not be used to buy over-the-counter medicine. All the money saved in this account will be taxed heavily if used to purchase any medicine other than that prescribed by a doctor or insulin.

Furthermore, any money withdrawn from any of these accounts for a non-medical purpose will be subject to a 20-percent tax. That's up from 10 percent before the law goes into effect in 2011. Also, whereas now a person can deposit as much money as he deems necessary and prudent into a flexible spending account, beginning in 2011 a \$2,500 cap is imposed. Proponents of this scheme claim that the "no over-the-counter tax" and the doubling of the non-medical withdrawal tax, combined, will generate about \$15 billion in revenue. Well, I'm sure that's another promise we can count on.

Even if such taxes and penalties did raise revenue, they are still unconstitutional. There is no authorization in Article 1, Section 8 of the Constitution for Congress to legislate in the healthcare arena.

Next, there is the so-called "Caucasian Tax." Next time you visit the tanning salon, you'd better leave your wallet in the car. Under Section 10907 of the ObamaCare law, there is a new 10-percent excise tax on the use of indoor tanning booths. While this new tax might keep you from turning a golden brown, perhaps you'll make do with the flaming red color you get from being so angry!

Finally, as the law stands today, a person may deduct any medical expense that exceeds 7.5 percent of his adjusted gross income. Beginning in 2013, however, that threshold rises to 10 percent of adjusted gross income, thereby eliminating the tax break for many Americans paying enormous medical bills. That is to say, fewer Americans who truly rely on medical care to the point of paying thousands of dollars a year will be able to offset those expenditures by claiming a deduction.

There are numerous other taxes, penalties, excises, and fees buried in the over 2,000 page law signed last month by President Obama. People earning over \$200,000 and families earning over \$250,000 are taxed even more heavily under the PPACA. Payroll taxes on those individuals, for example, increase from 1.45 percent to 2.35 percent under the law, and the tax on investment income over that amount increases to 3.8 percent. Of course, to President Obama such people are rich and can afford to shoulder the burden of redistribution. See, middle class? You don't get all the fun!

So, you see, under ObamaCare, everyone will have to buy a health insurance policy or have it bought for him by his employer. Naturally, either way, one's wages are reduced and his ability to save or spend is reduced proportionately. Moreover, the various savings disincentives contained in the bill don't make saving the little money most have left over every month much of an attractive option anyway.

Remember, while it was worthwhile to examine the multitude of taxes and penalties promulgated under ObamaCare, it is more important to recognize that every one of the more than 2,000 pages of this law became law notwithstanding the lack of constitutional authority of Congress or the President to do so. As Americans, we recognize that any reduction in wages is effectively a tax as it is caused by a government mandate. We must assert our natural sovereignty and demand that the law be repealed or, even better, demand that our state legislatures pass laws nullifying its effect. This law is unconstitutional in several signal ways (see the previous article in this series) and the only valid response at this point is to compel our elected representatives to honor the oath they took to defend our



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