ObamaCare's Marriage Penalty

Federal law already discourages marriage via welfare payments to single mothers and higher tax rates for married couples. And starting in January, ObamaCare will pile on one more disincentive to tying the knot: higher health insurance costs for couples who marry.

The healthcare law's individual mandate requires every American to have health insurance or pay a tax penalty. Those whose employers do not offer "affordable" coverage must obtain coverage on their own.

Depending on one's income level, coverage not obtained through an employer may be subsidized, in whole or in part, by the federal government. Households with incomes under the Federal Poverty Level (FPL) will be covered by Medicaid. Households with incomes between 100 percent and 400 percent of the FPL will be given subsidies in the form of refundable tax credits to help offset the cost of private coverage. Everyone else will have to pay his own way.

The tax-credit subsidies are intended to serve as a cap on the amount of household income that a family must pay for a specified level of government-approved health insurance. The subsidy starts high so that a family earning 100 percent to 133 percent of the FPL will only have to pay 2 percent of their income for coverage, then gradually decreases as income increases, with a family earning between 300 percent and 400 percent of the FPL shelling out 9.5 percent of their income in premiums.

Here is where the marriage penalty comes in. According to CNSNews.com's Terence P. Jeffrey, "Married couples seeking the subsidy are required to file joint tax returns and whether their premiums are capped or not is determined by the couple's combined income. The law thus imposes a steep penalty on Americans who live in traditional families."

In other words, though one or both members of a couple might qualify for subsidies if they remained single and thus had lower individual incomes, neither will qualify for a subsidy if they wed and their combined income exceeds 400 percent of the FPL. This, noted the House Committee on Oversight and Government Reform, is because "the tax credit amount is linked to [FPL] and FPL does not increase proportionally as household size increases."

Jeffrey offers a hypothetical example, basing his calculations on the Kaiser Family Foundation's online subsidy calculator.

A 50-year-old divorcee with three children who earns $47,100 a year would be faced with an annual health insurance premium of $11,140. However, since her household income is only 200 percent of the FPL for a family of four, she would receive a subsidy of $8,172 to keep her insurance cost to 6.3 percent of her income, or $2,967.

Our single mom meets a 56-year-old man who makes $63,000 a year and pays an annual premium of $7,041 with no subsidy because his income exceeds 400 percent of the FPL for an individual.

As long as the two remain unwed — even if they choose to cohabit — they will pay a total of $10,008 in insurance premiums each year, with taxpayers picking up the rest of the tab. But if they decide to tie the knot, their combined income will make them *both* ineligible for a subsidy, and they will therefore have to pay the full cost of their insurance, which will now come to $18,181 a year, or 16.5 percent of their income.

The House Oversight Committee offered another scenario: "In 2014, 400 percent of the FPL will be about $45,600 for a one-person household, increasing roughly $16,000 for each additional household member ($61,600 for a two-person household). Thus, … two individuals who make between $61,600 and $91,200 (twice the FPL of a one-person household) will not benefit from the tax credit if they decide to marry since they will be over 400 percent of the FPL for a two-person household. These two individuals can benefit from the tax credit, however, if they remain unmarried or if currently married, they decide to divorce."

ObamaCare, in fact, seems almost deliberately designed to penalize wedlock, the committee observed:

> According to the JCT [Joint Committee on Taxation] estimates, married couples will receive less than 15 percent of the PPACA's [Patient Protection and Affordable Care Act] tax credits. At most, only two million married couples (out of nearly 60 million married couples in the country) are projected to benefit from the health insurance tax credit in any year through 2021. Almost half of the beneficiaries of the tax credit will be unmarried individuals without dependent children. About forty percent of the individuals who are projected to claim the credit will file as the head of a household. These households mostly consist of a single parent with at least one dependent child. These numbers suggest that an impact of the PPACA's health insurance tax credit will be to introduce a significant new marriage penalty into the tax code.

There are, however, rare instances under ObamaCare in which getting married may actually redound to the couple's benefit. John C. Goodman of the National Center for Policy Analysis wrote:

> In some cases, getting married may be worth the financial penalty, however. If you and your partner each earn 100 percent of the federal poverty level (currently $10,830), you would (individually) qualify for Medicaid and would not be allowed to purchase private coverage in the exchange. However, if you are married, your combined income would disqualify you for Medicaid. If you bought insurance in the exchange, you would be required to pay 4 percent of your household income (or $866). The ability to get out of Medicaid (which pays low doctor fees) and into a private plan (which may pay market rates) may be worth the extra premium you have to pay — especially if you value more ready access to care.

Aside from this relatively uncommon scenario, though, it is clear that ObamaCare (in Jeffrey's words) "rewards people who don't marry, don't work and don't take care of their own children. It punishes people who do marry, work hard and take care of their own children." And that is just one more reason it needs to go.