



Written by [Michael Tennant](#) on January 16, 2011

Tax Hikes in ObamaCare

But a big, heaping bundle of tax increases it is, and every one of them has been documented by Americans for Tax Reform in what it terms a [“Comprehensive List of Tax Hikes in Obamacare.”](#) ATR has listed nearly “two dozen new or higher taxes that pay for Obamacare’s expansion of government spending and interference between doctors and patients” — everything from the well-known (the individual mandate tax) to the obscure (a biofuel tax hike). It all adds up to less money and control in the hands of Americans and more in the hands of Uncle Sam.



The individual and employer mandates are the linchpin of ObamaCare. The employer mandate forces businesses to offer health coverage to their employees or pay a tax of \$2,000 per full-time employee if even one employee qualifies for a tax credit for the purchase of health insurance on a state insurance exchange. The penalty increases for those employees obtaining insurance through the exchange. In addition, if the employer imposes a waiting period before an employee may enroll in health coverage, the employer is taxed from \$400 to \$600 per employee. There is also a 40 percent excise tax on comprehensive (“Cadillac”) insurance plans. Meanwhile, if an individual does not receive health insurance through his employer, he had better go buy some elsewhere or be slapped with an additional tax, beginning at 1 percent of Adjusted Gross Income (AGI) in 2014 and rising to 2.5 percent by 2016.

Individuals’ control over their own healthcare is further crimped by greater restrictions on how they can spend pre-tax dollars for healthcare. First, says ATR, “Americans [are] 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).” Second, the amount of money that can be spent from an FSA, currently unlimited, will be capped at \$2,500 beginning in 2013. ATR notes that this restriction will “be particularly cruel and onerous” for “parents of special needs children,” who often use FSAs to pay for special needs education, which generally costs more than \$2,500 a year. Third, the itemized deduction of medical expenses will only be permitted for that portion of expenses that exceeds 10 percent of AGI, a 33 percent increase over the current threshold.

ObamaCare, supposedly designed to reduce healthcare costs, perversely includes new taxes on the healthcare industry — taxes which will surely be passed on to consumers in the form of higher costs. Medical device manufacturers, who ATR explains “employ 360,000 people in 6000 plants across the country,” will be treated to a 2.3 percent excise tax. Charitable hospitals, says ATR, will be taxed “\$50,000 per hospital if they fail to meet new ‘community health assessment needs,’ ‘financial assistance,’ and ‘billing and collection’ rules set by” the Department of Health and Human Services. Drug companies will be taxed \$2.3 billion a year relative to their share of sales that year.

Insurance companies, who thought they were getting a sweetheart deal giving them a captive market, do not escape unscathed. The industry as a whole will be taxed annually relative to health insurance



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premiums collected. Companies will be penalized if executives make more than \$500,000 a year. And according to ATR, “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.”

There are new tax-reporting requirements. Every employer must report on each employee’s W2 form how much the employer contributed to the employee’s healthcare benefits — a “preamble to taxing health benefits on individual tax returns,” avers ATR. Also, businesses are now forced to send 1099 tax reporting forms to any individual, business, or corporation to whom they have paid at least \$600 in the past year. “The compliance burden on business” for this mandate, [wrote The New American’s Joe Wolverton II](#), “will be crippling.” Plus it gives the Internal Revenue Service new ammunition with which to attack taxpayers, either for failing to send out every last form or for failing to report income. On top of all this, adds ATR, the IRS will now be permitted “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.”

Still more taxes are listed on the ATR’s website, including a 3.8 percent tax on investment income for households making over \$250,000 a year, a hike in the Medicare payroll tax, and the infamous \$10 tanning-salon tax.

ObamaCare, then, is not a healthcare law but, as Dr. Hal Scherz of Docs4PatientCare [put it](#), a “tax-and-rationing law.” Those who think they are getting free, or at least cheaper, healthcare are in for a rude awakening come tax time.





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