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## Obama Administration Not Ruling Out Tax on Health Care Benefits

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By Fred Lucas, Staff Writer

**(CNSNews.com)** – Critics of President Barack Obama’s health care reform plan believe that he is backtracking on his campaign pledge not to tax health benefits. The administration, meanwhile, is not giving a strong reassurance to the contrary.

“A tax on health benefits would break two campaign promises,” said Michael Tanner, senior fellow at the Cato Institute, a pro-free-market organization. “One, that he would not increase taxes on the middle class; and two, that he would not tax health benefits.”

Tanner is the co-author of “Health Competition: What’s Holding Back Health Care and How to Free It” along with Michael F. Cannon, director of health policy studies at Cato. Both spoke to a gathering Tuesday at the Heritage Foundation, a conservative group.

Under current law, the value of the health coverage that employers provide to their workers is not taxed. Nationwide, that tax exclusion is estimated to be \$246.1 billion. If the Obama health care plan involves taxing some or all of those benefits, it could generate billions for a plan that is estimated to cost more than \$1 trillion.

During the presidential campaign, Obama denounced the notion of taxing health benefits, describing the idea as “the largest middle-class tax increase in history.”

White House officials have insisted that the health care reform package, which the Congressional Budget Office (CBO) estimates will cost at least \$1 trillion, will be paid for. The CBO report was based primarily on the existing Kennedy-Dodd legislation, which is similar to the outlines of Obama’s proposal, and would insure about 16 million uninsured (out of 35.9 million uninsured) people, according to the report.

On Sunday, White House Senior Advisor David Axelrod responded to a question on ABC’s “This Week with George Stephanopoulos” about whether the president would consider taxing health benefits to pay for a health care reform package.

“The president had said in the past that he doesn’t believe taxing health care benefits at any level is necessarily the best way to go here. He still believes that,” Axelrod told ABC News. “But there are a number of formulations and we’ll wait and see. The important thing at this point is to keep the process moving, to keep people at the table, to keep the discussions going. We’ve gotten a long way down the road and we want to finish that journey.”

The Obama plan would establish a government-run “public option” that would compete with private insurance companies. It would also require employers to provide health insurance, and include a comparative-effectiveness council to determine the most cost-effective treatments for patients.

But during the campaign, Obama not only promised that he would not tax employee-health benefits, he also criticized his Republican opponent Sen. John McCain (Ariz.) for proposing a tax on employee health benefits that would be offset by a \$5,000 tax credit. Those who buy insurance independently of their employer pay taxes on the benefits.

The McCain proposal that involved a tax on benefits involved reforming the entire system and would have been tax neutral with the credit, Cannon said, while the potential health benefits tax from Obama would be entirely for increasing federal revenue.

White House Press Secretary Robert Gibbs, asked Monday about Axelrod's comments, would not commit the president to anything.

"We haven't drawn a lot of bright lines," Gibbs said. "We understand there's some flexibility on the part of Congress to work through some of these policy issues and we're going to allow that process to continue to make -- that process to continue in order to make progress."

Pressed further on the matter as to whether the president would veto a tax on health benefits, Gibbs said, "Well, again, I think in some ways your question is hypothetical because there are any number of different bills, different proposals. I think the president has outlined what he believes is the very best way to pay for health care."

On Tuesday, speaking to reporters about the status of health care reform, Gibbs said, "I'm not going to draw lines here. I think the process continues. The president and the administration feel good about the progress made and we will continue to work with congress."

A tax hike could be politically troublesome for Obama, said Nina Owcharenko, deputy director of the center for health policy studies at the Heritage Foundation.

"We'll let them hang themselves on how they will pay for that. They attacked Sen. McCain for that," she said.

The best alternative to the Obama plan, Cannon said, is a proposal by Sen. Jim DeMint (R-S.C.) to offer tax credits for consumers to buy their own health insurance independent of their employer, and also allow consumers to purchase health insurance across state lines.

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