



Become a Leader of Tomorrow



Learn More »



reason.com reason.tv reason.org Donate Site Search:

Search

PRINT | EMAIL

ADVERTISEMENTS

- [Subscribe](#)
- [About](#)
- [Staff](#)
- [Contributors](#)
- [Topics](#)
- [Print Archives](#)
- [Cover Gallery](#)
- [Hit & Run - Blog](#)
- [Daily Brickbats](#)
- [Podcasts](#)
- [RSS Feeds](#)
- [Advertise](#)
- [Subscriber Services](#)
- [Donate](#)
- [Reason Stuff](#)
- [Events](#)
- [Submissions](#)
- [Contact Us](#)

- [Reason on Facebook](#)
- [Reason on Twitter](#)
- [Reason on YouTube](#)
- [Reason RSS](#)

Get Reason E-mail Updates! First Name

Last Name

Email

Submit

Manage your Reason e-mail list subscriptions

Site comments/questions: Mike Alissi

Media Inquiries and Reprint Permissions: Chris Mitchell (310) 367-6109

Editorial & Production Offices: 3415 S. Sepulveda Blvd. Suite 400 Los Angeles, CA 90034 (310) 391-2245

ADVERTISEMENTS

How ObamaCare Hurts the Poor and Middle Class

Peter Suderman | January 13, 2010

Cato's Micheal Cannon has an important new study out today looking at the effects of ObamaCare across the income scale. What he finds is that low-wage workers would be hit the hardest:

House and Senate Democrats have produced health care legislation whose mandates, subsidies, tax penalties, and health insurance regulations would penalize work and reward Americans who refuse to purchase health insurance. As a result, the legislation could trap many Americans in low-wage jobs and cause even higher health-insurance premiums, government spending, and taxes than are envisioned in the legislation.

Those mandates and subsidies would impose effective marginal tax rates on low-wage workers that would average between 53 and 74 percent — and even reach as high as 82 percent — over broad ranges of earned income. By comparison, the wealthiest Americans would face tax rates no higher than 47.9 percent.

Over smaller ranges of earned income, the legislation would impose effective marginal tax rates that exceed 100 percent. Families of four would see effective marginal tax rates as high as 174 percent under the Senate bill and 159 percent under the House bill. Under the Senate bill, adults starting at \$14,560 who earn an additional \$560 would see their total income fall by \$200 due to higher taxes and reduced subsidies. Under the House bill, families of four starting at \$43,670 who earn an additional \$1,100 would see their total income fall by \$870.

Cannon's complete study can be found [here](#).

Update: Reading through Cannon's study, it's worth remembering that, on the campaign trail, Obama **accused** Sen. John McCain of offering "a plan that only takes care of the healthy and the wealthy." He also **said** that McCain's plan "won't help reduce costs; it could actually drive costs up." But as Cannon notes, current reform legislation is also likely to make insurance premiums more expensive:

In addition, middle-income workers could save as much as \$8,000 per year by dropping coverage and purchasing health insurance only when sick. Indeed, the legislation effectively removes any penalty on such behavior by forcing insurers to sell health insurance to the uninsured at standard premiums when they fall ill. The legislation would thus encourage "adverse selection"—an unstable situation that would drive insurance premiums, government spending, and taxes even higher.

Help Reason celebrate its next 40 years. [Donate Now!](#)

[StumbleUpon](#) [Digg](#) [Reddit](#) [Twitter](#) [Facebook](#)

Try Reason's award-winning print edition today! Your first issue is FREE if you are not completely satisfied.

[← Reason Writers Around the Web: Radley... | Main | New at Reason: David Harsanyi on... →](#)

[See all 22 comments](#) | [Leave a comment](#)

John | 1.13.10 @ 12:08PM | #

Everyone always says that once a government benefit is passed it never goes away. And for this reason Obamacare once passed will never end. But, I really wonder about that. The mandate is so draconian and so stupid and will be so unpopular, I can't see it surviving. Yeah, the Dems think they

TAKE YOUR OWN STAND



Priority Mail® Flat Rate Boxes

[GET SHIPPING KIT >>](#)

UNITED STATES POSTAL SERVICE®

©2009 United States Postal Service. The Eagle