

## Obamacare taxes the poor at 100 percent

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### OPINION



The costs of ObamaCare were to be paid by reductions to Medicare (\$500 billion) and taxes on those with high incomes and investments (\$500 billion). However, the actuarial and economic analyses don't take into account the ultimate 100 percent tax on one's income—the loss of your job.

One does not need to be an economist to understand that mandates will increase premiums and added taxes and penalties on businesses will mean fewer jobs. Employers face a \$2,000 per employee penalty for each worker not covered. This hits hardest small employers who are the job creators. Employers now have a financial incentive to shift from workers to more automation, part-timers, contract staffing, and more overseas outsourcing. According to the Heritage Foundation, “up to 382,000 low wage unskilled workers are likely to lose their jobs.” Heritage goes on to say that the bill puts “5.2 million workers at risk of unemployment, working fewer hours, and providing fewer job opportunities.”

The Obama administration's Chief Actuary in the Department of Health & Human Services now tells us that ObamaCare will cost much more than Congress thought when it voted for the bill. Instead of saving \$114 billion from 2010 to 2019 (as stated by the economists at the Congressional Budget Office—CBO), the administration's own cost analysis (only a month since the legislation passed) now shows a debt increase of \$311 Billion. A \$425 Billion dollar cost increase in just one month! As government and regulations grow, individuals become less important, and jobs become scarcer.

According to a chart below from the Center for Labor Market Studies, Northeastern University, Boston, Massachusetts the unemployment in the U.S. hits disproportionately on the poor.

Income Range	Unemployment Rate	Under-employment Rate(1)	Unemployment + Underemployment
\$12,499 or less	30.8 percent	20.7 percent	51.5 percent
\$12,500—20,000	19.1 percent	17.2 percent	36.3 percent
\$20,000—29,999	15.3 percent	12.7 percent	28.0 percent
\$30,000—39,999	12.2 percent	8.3 percent	20.5 percent
\$40,000—49,999	9.0 percent	6.1 percent	15.1 percent
\$50,000—59,999	7.8 percent	5.4 percent	13.2 percent
\$60,000—75,000	6.4 percent	4.4 percent	10.8 percent
\$75,000—99,999	5.0 percent	3.6 percent	8.6 percent
\$100,000—149,999	4.0 percent	2.5 percent	6.5 percent
\$150,000 or more	3.2 percent	1.6 percent	4.8 percent

Note(1): The unemployment rate is calculated by dividing the number of unemployed by the employed.

How can some unemployed have a family income of more than \$150,000? Easy, the spouse works, interest from savings, dividend income from stocks, capital gains from investments, and rental properties still provide income for some families while an individual is unemployed or under-employed. Wealthier individuals can have multiple sources of income.

For those earning under \$30,000 per year the unemployment rate is at depression levels of 15-30 percent. In these ranges, the unemployment plus the under-employment rate is a staggering 28.0—51.5 percent, 5 to 10 times higher than families with incomes over \$150,000.

Even more telling is the growth between 2007 and 2009 in unemployment in the low income categories. In the three lowest income categories, unemployment increased 12.4 percent, 8.4 percent, and 7.8 percent, respectively. Unemployment in the highest income category rose only 1.6 percent.

Range of Incomes	Unemployment 2007 4 <sup>th</sup> Quarter	Unemployment 2009 4 <sup>th</sup> Quarter
\$12,160 or less	18.4 percent	30.8 percent
\$12,160-20,725	10.7 percent	19.1 percent
\$20,725-29,680	7.5 percent	15.3 percent
\$29,680-39,000	5.6 percent	12.2 percent
\$39,000-50,000	4.0 percent	9.0 percent
\$50,000-63,000	3.7 percent	7.8 percent
\$63,000-79,100	3.3 percent	6.4 percent
\$79,100-100,500	2.4 percent	5.0 percent
\$100,500-138,700	2.0 percent	4.0 percent
\$138,700 or more	1.6 percent	3.2 percent

Source: The Curious Capitalist, Barbara Kiviat, Wednesday, February 10, 2010

The Obama administration will point to subsidies to cover the health costs for the low income. Under ObamaCare, up to 58 percent of the population can avail themselves of a healthcare subsidy. But, the opiate of government welfare is the ultimate fix. If the unemployed get a job, the individual subsidies begin to decrease. The financial impact of welfare subsidies is the equivalent of a higher marginal tax rate. A Cato Institute study shows, for those making \$30,000, the equivalent marginal tax rate will be nearly 60 percent. That is, for each additional dollar earned, the government will take back sixty cents in taxes and reduced subsidies. That doesn't provide the poor much incentive to work hard and advance economically.