

Warning: Hidden Obamacare Taxes Will Cost You More Than You Think

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The bill for Obamacare is on its way, and guess what? It's addressed to you.

You see, all those great benefits included in the Affordable Care Act don't come cheap, which is why the new [healthcare law](#) includes a barrage of new "Obamacare taxes."

And don't believe for a second the new [Obamacare taxes](#) will hit only the "rich" or those making over \$250,000.

Some do, but you'd be surprised at how many of these new taxes also hit the middle class.

Worse still, many of these new measures are disguised as taxes on businesses. The bulk of these "stealth taxes" will be transferred to consumers via higher prices for drugs and health insurance.

"The legislation imposes more than \$569 billion in new or increased taxes, the vast majority of which will fall on businesses," writes Michael Tanner in a 2011 Cato Institute report on the impact of the [healthcare law](#). "Many of those taxes, especially those on hospitals, insurers, and medical device manufacturers, will ultimately be passed on through higher health costs."

Even still, few realize just how many new taxes lurk within the law's 2,500-plus pages because most of the talk about the Affordable Care Act focused on the constitutionality of the individual mandate.

Of course, according to Supreme Court Chief Justice John Roberts, even that [turned out to be a tax](#).

Obamacare Taxes You'll Pay Directly

In addition to the hidden Obamacare taxes, which we'll get to shortly, the law reaches directly into your pocket in several ways:

- **Investment Income Surtax:** If your gross income is more than \$200,000 (\$250,000) for joint filers, you'll pay a 3.8% surtax on your "investment income." That includes dividends, interest, rent, capital gains, annuities, and house sales. While middle class Americans normally would not get hit by this, the sale of a home could trigger this tax in a given year.
- **Medicare Payroll Tax Hike:** This Obamacare tax also is aimed at the top income group. For them it raises the Medicare payroll tax deduction from 2.9% to 3.8%.
- **Itemized Deduction Limit:** Now we're getting to the Obamacare taxes that will affect everyone. Starting in 2013, the itemized deduction limit for medical expenses will rise from 7.5% to 10% of adjusted gross income. That means you'll need to spend more than 10% of your AGI on medical expenses before you can deduct any of it.
- **Flexible Spending Account Cap:** Many Americans take advantage of flexible spending accounts (FSAs), which let you set aside pre-tax money each year to pay your medical expenses. There's no limit now, but in 2013 such accounts will be capped at \$2,500.
- **Penalty on HSA Withdrawals:** The penalty for taking money out of a Healthcare Savings Account for a non-medical reason doubles from 10% to 20%.
- **"Medicine Cabinet" Tax:** Starting in 2011, using an HSA, FSA or health reimbursement account (HRA) to pay for over-the-counter medicines is no longer allowed.
- **Tanning Tax:** If you use indoor tanning services, you started paying an extra 10% tax on them in 2010.
- **Individual Mandate "Tax":** This is the notorious tax/penalty you'll pay for refusing to buy health insurance as of 2014. The amount you pay depends on your income. The penalty is set to rise by fixed amounts through 2016; thereafter it is indexed to inflation.

The Hidden Obamacare Taxes

Because the government knows people don't like to pay taxes, the architects of Obamacare shifted most of the costs to businesses. While companies may "eat" some of the extra cost, most of the money will eventually come out of the pockets of average Americans.

These more stealth Obamacare taxes include:

- **Medical Device Tax:** As of 2013, a 2.3% sales surtax will be added to the cost of all medical devices costing more than \$100. According to the Cato Institute, this tax covers "everything from CT scanners to surgical scissors....almost everything used by doctors, hospitals or clinics would be taxed." Such costs could add hundreds of dollars to a family's annual insurance premiums.
- **Pharmaceutical Companies Tax:** Starting last year, Obamacare specifies that a fixed amount of tax be extracted from the sale of prescription drugs. The amount rises from \$2.5 billion in 2011 to \$4.2 billion in 2018. Big drug companies must pay a portion of this tax based on their aggregate revenue from their brand-name drugs. You'll feel this tax every time you visit the pharmacy.
- **Insurer Tax:** Obamacare taxes health insurers as well, but based on their market share. This tax is similar to the one on prescription drugs, but the revenue targets are much higher: \$8 billion in 2011, rising to \$14.3 billion by 2018. Insurers will likely recover this tax by charging customers higher premiums.
- **Cadillac Tax:** Effective in 2018, the healthcare law places a 40% tax on the dollar amount of a healthcare plan that exceeds set limits. It will mainly affect comprehensive healthcare plans, which typically cost more. Employers are responsible for paying the tax, but most will simply pass it on to workers. ***This Obamacare tax could creep up on you:*** The trigger values are indexed to inflation, as opposed to higher-than-inflation increases in medical costs. That means each year more and more health plans will be subject to the tax. Consulting firm Towers Watson concluded in 2010 that 60% of large employers' health plans would be affected by 2018.
- **States Subsidies for Medicaid:** Another provision of Obamacare requires states to extend their Medicaid programs to cover all citizens with incomes below 133% of the poverty level. At first the federal government will pay 100% of the cost of this expansion, but by 2017 the states will have to start pitching in. Since some state programs are closer to compliance with the new federal standard than others, the impact of this burden on taxpayers will vary from state to state. But any state facing billions in new Medicaid costs would soon be forced to raise taxes. One caveat: The Supreme Court ruling in June said the federal government could not impose a penalty on states for opting out of this requirement. So some Republican-controlled states may escape this hidden Obamacare tax.

Whether you realize you're paying for it or not, there seems to be no escape from Obamacare taxes. As Americans will soon learn, there's no free lunch.