

FACT CHECK: Would Trumpcare Tax Cuts Largely Benefit The Wealthy?

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On the Sunday morning talk show, “This Week with George Stephanopoulos,” the host and guests repeatedly claimed that tax cuts in the Republican healthcare plan would “flow largely to the wealthiest Americans.”

Verdict: True

The wealthy do stand to benefit the most from the tax cuts proposed by Republicans. However, the commentators fail to mention the substantial tax savings average Americans would receive under the Republican health care plan.

Fact Check:

Obamacare imposed taxes on wealthy and middle-income Americans to expand the Medicaid program and subsidize health insurance for lower-income households. As part of an effort to repeal and replace Obamacare, the Republican plan would undo or delay most of the taxes levied by Democrats in 2010.

The Senate released a draft of their health care bill last week, which reignited the debate over health care reform. With some exceptions, tax provisions in Senate bill are largely the same as those in the House bill passed in May. According to the Congressional Budget Office (CBO), the House plan would cut nearly \$1 trillion in Obamacare taxes over 10 years.

The Daily Caller News Foundation reached out to several leading policy organizations to investigate whether the wealthy would really benefit the most from the tax cuts.

“If you look at the net effects of the whole package, it clearly, mostly benefits higher-income people,” Howard Gleckman, a senior fellow at the left-leaning Tax Policy Center (TPC), told TheDCNF.

He cited a TPC analysis that estimates the top one percent of earners would receive a 2.1 percent bump in after-tax income, while the bottom 20 percent of earners would receive a 0.9 percent bump and the middle-income earners would receive a 0.5 percent bump.

The analysis excludes proposed changes to certain provisions like health care tax credits, which Gleckman said would be “less generous” than Obamacare.

Gleckman pointed to the repeal of two Obamacare taxes that would entirely benefit the wealthy: a 3.8 percent tax on investment income and a 0.9 percent Medicare payroll tax paid by

households earning \$200,000 to \$250,000 or more per year. Repealing these two taxes would save taxpayers an estimated \$231 billion over 10 years.

Michael Tanner, a senior fellow at the libertarian Cato Institute does not dispute the TPC findings. “Yeah, sure. The biggest tax cuts are for the rich,” Tanner told TheDCNF. “That doesn’t mean there aren’t substantial tax cuts for the middle class and lower-income people.”

Tanner is right. Some of the largest tax breaks significantly benefit the middle class.

The House bill would save largely middle-income and elderly taxpayers with high out-of-pocket medical expenses \$126 billion over 10 years by lowering the income threshold used to determine the medical care deduction. The non-partisan Joint Committee on Taxation (JCT) reported that around 41 percent of taxpayers taking the deduction earned less than \$50,000 a year and taxpayers 65 years of age or older took a tax deduction 43 percent larger than the average.

The Republican bill would also repeal the individual mandate, a tax penalty imposed by Obamacare that largely impacts lower- and middle-income Americans. The CBO estimates this will save taxpayers \$38 billion over 10 years.

Conservatives cite other tax restrictions Obamacare imposed on flexible spending arrangements and health savings accounts that allow taxpayers to pay for medical expenses with pre-tax dollars as being a burden on the middle and lower class.

“The limits on flexible spending accounts, the cap on deductibility of medical expenses on your taxes, the mandate penalties – those type of things hit the middle class and lower-income people the hardest,” said Tanner.

Obamacare also imposed corporate taxes that indirectly harm consumers. The JCT calculated that repealing an Obamacare tax on health insurance companies “could reduce annual premiums for a family of four in 2016 by \$350-\$400.” This cost-sharing is called tax incidence, where some costs are passed along to consumers as higher premiums.

The Republican health care bill repeals this and other business taxes levied by Obamacare including the employer mandate, the “Cadillac tax” on high-cost insurance plans, the prescription drug tax and the medical device tax.

The TPC makes certain assumptions in order to estimate who benefits from lower corporate taxes – shareholders or employees.

“There’s an argument among economists about what the ratios of those ought to be,” said Gleckman. “We tend to come down more on the shareholder side.” The ratio plugged into the TPC model distributes more tax benefits to the wealthy.

Gleckman readily acknowledges that a number of the Obamacare taxes do hurt lower-income and middle-income people. But he says that when you aggregate the data, repealing taxes benefits the wealthy the most.

“I don’t think really very many people – even conservatives – would really argue a lot that these tax cuts benefit middle-income people more than they benefit high-income people,” said Gleckman.

“I mean, for example – the Tax Foundation – they do their own work, they have not tried to make that argument. We certainly haven’t. So I don’t think there’s a lot of argument here.”

The Tax Foundation, a right-leaning Washington think tank, did not respond to a request for comment.

Experts at the Tax Foundation have argued in the past that Obamacare taxes damage long-term economic growth and that repealing them would benefit Americans at every income level.

“Critics complain that the repeal would benefit the rich, and cost the Treasury substantial revenue,” wrote senior fellow Stephen Entin in a recent post about the 3.8 percent investment income tax. “They are looking only at the static ‘distribution tables’ and ignoring the widespread economic benefits of repeal.”

The Tax Foundation estimates that repeal of this tax would raise employment by 133,000, make the economy 0.7 percent larger and raise wages by 0.6 percent.

Nevertheless, guests on “This Week” characterized the health care bill as taking money from the poor “to basically give a massive tax cut to the wealthy.”

Tanner feels this characterization is misleading. “They’re not reforming Obamacare to cut taxes for the wealthy. They’re reforming Obamacare because Obamacare is a disaster,” said Tanner.

“I mean even the Democrats admit that Obamacare needs to be fixed. They would do it in different ways, but everybody admits the program’s not working. So that’s why we’re doing a healthcare bill. The tax portion of it is simply a part of the larger overall plan, but to characterize the whole healthcare bill around the tax portion is silly,” Tanner said.

He also makes the point that even if the wealthy benefit more, moderate-income people are likely to feel the benefit more. “That hundred dollar tax cut that I get may be a lot more important to me than that hundred-thousand dollar tax cut that the rich get is to them.”

The Republican plan would delay or repeal most Obamacare taxes imposed on wealthy and middle-income Americans, taxes used to subsidize health insurance for low-income Americans as well as expand Medicaid.

The wealthy may on paper benefit more than the middle class, but the tax cuts would benefit the middle class in substantial ways not discussed by commentators.