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Libertarian Romantic Ideal

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## ObamaCare Raises Marginal Tax Rates on Lower & Middle Income Earners

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Under the current Democratic health care legislation, wealthy Americans total marginal tax rate at most 50%

Under the same legislation, low and middle income earners effectively marginal tax rates could reach up to 70 " 80%, and under some conditions, even exceed 100%

What do I mean by oeeffective marginal tax rate?

1. Mandates. Heres the Faustian bargain: lets say youre young and earn about \$15,000. You, like everyone else, will have to pay for health insurance, but the government will subsidize you almost 100%. However, as your education and skill level increase, your yearly income will likely rise to, say, \$25,000, \$35,000, or \$45,000. As your income rises, the amount youll be forced to pay for health insurance will increase. This is a new marginal tax rate that rises with your income.

2. Cost Sharing Subsidy. For low income workers, not only would you get a \$5000 health care plan for, say, \$1000, the value of that plan would actually be more than \$5000. As your income rises, this oeCost Sharing Subsidy decreases. This creates what social economist call a oecliff effect (see The oeCliff Effect Experience, Voices of Women on the Path to Economic Independence). Basically, as you get older, the value of your health care will, at some point, oego off a cliff, i.e., small increases in income can lead to a disproportionate drop in the value of your health care. If you want or need to maintain that level of health care, youll need to spend more of your extra income to do this. This is another type of rising marginal tax rate.

The Cato Institutes Health Policy Studies groupcalculates that someone starting at about \$15,000 and going out to about \$45,000 would only get to keep 50% or 40% of each additional dollar earned. If you get married and start a family, then it gets worse. A family of 4 at \$45,000 would only be keeping around 20% (!) of each additional dollar earned.

This is a huge disincentive to earn more because the extra money you can keep doesnt off-set the state subsidies you lose. In short, the latter of economic opportunity just got a lot steeper.

If left wingers wanted to make it hard for lower income earners to climb the economic ladder, this is a highly effective way to do that. Sadly, far to many left wing useful idiots dont understand how to factor in the marginal tax rates of current health care reform proposals " but then again, these same left wing useful idiots really dont care to dig below the surface of their fantasies.

In the legend of Faust, Faust makes a pact with the Devil (oeMephistopheles), offering his or her soul later in exchange for favours now. Under Obamacare, the only difference between low and middle income earners and Faust is that Faust at least had a choice †

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