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# Health Care Tax Hike Debate: Good or Bad for the Economy?

Health Care Tax Hike for Wealthier Americans Resurrects Classic Argument; High Earners Speak Out

By **ALICE GOMSTYN**  
ABC NEWS Business Unit  
March 23, 2010

abc NEWS  
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The historic health care overhaul and the taxes that will help fund it have reignited the age-old debate about wealth redistribution and trickle-down economics.

Some opponents of the plan argue that the burden it puts on high-income taxpayers and businesses will depress investment and drag down the economy.

The overhaul will include a new 3.8 percent Medicare payroll tax on some investment income for individuals earning at least \$200,000 and couples earning at least \$250,000.

The tax will "slow venture capital and investment, and it's going to have an impact on jobs overall," said Michael Tanner, a senior fellow at the libertarian CATO Institute. "If your return is lower, you're less likely to take risk."

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High-earning individuals and couples will also see their Medicare payroll taxes on earned income increase by 0.9 percent to 2.35 percent -- an increase that critics say will lead to a decrease in spending by this group, which would also hurt the economy.

The tax changes are scheduled to take effect in 2013.

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Health care overhaul supporters argue that the tax hike's economic consequences have been exaggerated. In the 1990s, the taxes on dividend income in particular were far higher than they are today, said Henry Aaron, a senior fellow at the Brookings Institution, the Washington D.C. think tank.

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Yet that decade "was not exactly a period of entrepreneurial sloth," he said.

"I won't say decisions are completely insensitive to taxes," Aaron said, "but there's a large variety of other factors" that influence investors' behavior.

Health plan proponents trumpet the plan's fiscal benefits to individuals and families: By allowing millions of Americans access to health insurance and also eliminating lifetime coverage caps, they say, the plan could help many avoid bankruptcies caused by overwhelming medical expenses.

Among experts, arguments for and against the taxes included in the plan tend to break down on ideological lines, but how do high-earning Americans facing the tax hikes feel about the plan? ABCNews.com asked individuals earning at least \$200,000 and those with joint incomes of at least \$250,000 to weigh in. On the next page, find some of what they told us.

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I've seen 2 comments made by employers firing and dropping coverages on people already AND MOST OF THESE CHANGES WON'T EVEN TAKE EFFECT UNTIL 2014. I think the two of you are terrible and are doing these things to prove a point that doesn't even need to be proven! All for the sake of saying that this bill won't work. You should be ashamed of yourselves. And I really like the little racial slurs that tend to be dropped in the conversations also. Thank you for your opinions, but no thanks. Those of us that support all or even parts of this bill need to start speaking up! but we can't because you keep calling us COMMUNISTS! How about we call you guys UNCHRISTIAN?

Addygirl180 2:40 PM

I empathise with many of you. Its difficult to be singled out because of your success. It must feel like a punishment. For that, I am sorry. My household does not make \$250k a year so we won't be impacted this time around. BUT...I actually don't mind paying more taxes. For me, I've been on both sides of the

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fence. I was once poor, uninsured and struggling to make ends meet. Thankfully, I was born in the US so I was able to significantly improve my circumstances through perseverance and old-fashioned hardwork. I am now 33 years old and living a life I would never have imaged for myself. My life is full of riches beyond just monetary ones. I like this bill. I like it because I believe it will open doors for more Americans to improve their circumstances too. When I was in college I was working 3 part-time jobs and going to school full time. I had to pay for it myself because my parents were unable to help. I was uninsured at the time. I got so run down that I ended up in the hospital for nearly a week during finals after developing severe pneumonia. As a result, I was unable to finish that semester which added another year to my quest for a degree. I never finished. In my fifth year I was finally priced out. I could not pay my tuition and living expenses as well as the huge medical bills I had racked up. My credit was going in the toilet and I was soon going to have to start paying back my student loans. I made the decision to quit school and get a "real job" so I could pay off some of my debts and finish up my degree in a few years. Both fortunately and unfortunately, I was successful in my first "real job" so I never went back to school to finish my degree. My point is...if paying more taxes will prevent just one young girl with huge potential from leaving school without a degree because of a serious illness...sign me up.

karkar0125 2:28 PM

I'm a 44 year old physician. Because of this bill passing, my medical partner and I layed off 3 employees yesterday and cancelled all raises and interviews for new nurse practitioners, and medical assistants that we were planning to hire. That is just the start. We also plan to stop voluntarily providing Blue Cross/Blue Shield insurance to our employees now and save the \$750 per employee per month that we were providing. We had 30 employees. Now we have 27. We will also not be purchasing any new equipment for the office. He's going to drastically raise my taxes, we will make up for it. So, there you go. When was the last time anyone was every hired by a poor man? Make more than \$250,000 a year? Then you must give it to everone else. We will punish you for success. Where is Ronald Reagan when we need him? We are at war with this socialist in the White House. I encourage all physicians and small business owners in general to follow suit and lets make this economy as bad as we possibly can to get this Marxist and his cronies out of office ASAP. I'm doing my part to reverse this horrible trend. This is not what my father fought for in WW II. Not for African style socialism.

jpcmd1965 1:47 PM

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