Below is a new analysis of Joint Committee on Taxation data done by the Senate Finance Committee minority staff that shows 38% of people earning less than $200,000 a year will see a tax increase under the Reid bill. Even after you account for taxpayers who receive the premium tax credit, 24 percent of tax returns under $200,000 will on average see their taxes go up.

Non-Partisan Congressional Analysis Indicates that the Reid Bill Increases Taxes By a 3 to 1 Ratio on People Making Less than $200,000 a Year

Findings

The Joint Committee on Taxation (JCT) has provided Finance Committee staff with a distributional analysis of four of the major tax provisions in the Reid bill - (1) the advance-refundable tax credit for health insurance, (2) the high cost plan tax, (3) the medical expense deduction limitation, and (4) additional Medicare payroll tax. Separately, JCT has provided a distributional analysis of the number of tax returns that will receive the premium tax credit for health insurance. Based on data from 2019 – when the Reid bill is in full effect – Finance staff has concluded the following:

- Only 13.2 million individuals and families or 8% of all tax returns under $200,000 will receive a premium tax credit in 2019.

- In 2019, 39.9 million individuals and families or 24% of all tax returns under $200,000 will, on average, see their taxes go up. This is even *after* taking into account the premium tax credit.

- Based on the same JCT data, we can identify (1) those individuals and families who are NOT eligible to receive the tax credit and (2) those whose taxes go up before they see some type of tax reduction from the tax credit. In this case, 64.2 million individuals and families or 38% of all tax returns under $200,000 in 2019 will, on average, see their taxes go up.

Thus, under the Reid bill, for every one individual or family benefiting from the premium tax credit, the Reid bill increases taxes on three middle-income individuals and families.

Background

Under the Reid bill, individuals and families between 100% and 400% of the Federal Poverty Level (FPL) who purchase health insurance through the "exchange" would be eligible for an advance-refundable premium tax credit for health insurance. In general, individuals and families who get health insurance through their employer are NOT eligible for the premium tax credit, even if these individuals and families are below 400% of FPL. JCT estimates that the premium tax credit will cost roughly $400 billion over 10 years.

The Reid bill includes almost $500 billion in taxes, fees, and penalties on individuals, families, and businesses. According to JCT, the tax increases will fall the hardest on those individuals and families who are NOT eligible for the tax credit. As stated, this population is generally made up of individuals and families who get their insurance through an employer. More importantly, this population is made up of individuals and families making less than $200,000 a year.

It is important to point out that these conclusions understate the tax impact on middle-income individuals and families because (1) other tax increases under the bill (e.g., the cap on FSA contributions or the excise tax on cosmetic surgery) have not been distributed by JCT and (2) the conventional distribution tables group taxpayers between $200,000 and $500,000. This means that an additional group of middle-income individuals and families earning less than $200,000 and less than $250,000 would see a tax increase under the Reid bill.

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