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## Top Five Worst Obamacare Taxes Coming in 2013

WASHINGTON, D.C.— Of the twenty new or higher taxes in Obamacare, below are the five worst that will be foisted upon Americans for the first time on January 1, 2013:

**The Obamacare Medical Device Tax – a \$20 billion tax increase:** Medical device manufacturers employ 409,000 people in 12,000 plants across the country. Obamacare imposes a new 2.3 percent excise tax on gross sales – even if the company does not earn a profit in a given year. In addition to killing small business jobs and impacting research and development budgets, this will increase the cost of your health care – making everything from pacemakers to prosthetics more expensive.

**The Obamacare “Special Needs Kids Tax” – a \$13 billion tax increase:** The 30-35 million Americans who use a Flexible Spending Account (FSA) at work to pay for their family’s basic medical needs will face a new government cap of \$2,500 (currently the accounts are unlimited under federal law, though employers are allowed to set a cap).

There is one group of FSA owners for whom this new cap will be particularly cruel and onerous: parents of special needs children. There are several million families with special needs children in the United States, and many of them use FSAs to pay for special needs education. Tuition rates at one leading school that teaches special needs children in Washington, D.C. (National Child Research Center) can easily exceed \$14,000 per year. Under tax rules, FSA dollars can be used to pay for this type of special needs education. This Obamacare tax provision will limit the options available to these families.

**The Obamacare Surtax on Investment Income – a \$123 billion tax increase:** This is a new, 3.8 percentage point surtax on investment income earned in households making at least \$250,000 (\$200,000 single). This would result in the following top tax rates on investment income:

	Capital Gains	Dividends	Other*
2012	15%	15%	35%
2013+ (current law)	23.8%	43.4%	43.4%

The table above also incorporates the scheduled hike in the capital gains rate from 15 to 20 percent, and the scheduled hike in dividends rate from 15 to 39.6 percent.

**The Obamacare “Haircut” for Medical Itemized Deductions – a \$15.2 billion tax increase:** Currently, those Americans facing high medical expenses are allowed a deduction to the extent

that those expenses exceed 7.5 percent of adjusted gross income (AGI). This tax increase imposes a threshold of 10 percent of AGI. By limiting this deduction, Obamacare widens the net of taxable income for the sickest Americans. This tax provision will most harm near retirees and those with modest incomes but high medical bills.

**The Obamacare Medicare Payroll Tax Hike -- an \$86.8 billion tax increase:** The Medicare payroll tax is currently 2.9 percent on all wages and self-employment profits. Under this tax hike, wages and profits exceeding \$200,000 (\$250,000 in the case of married couples) will face a 3.8 percent rate instead. This is a direct marginal income tax hike on small business owners, who are liable for self-employment tax in most cases. The table below compares current law vs. the Obamacare Medicare Payroll Tax Hike:

	First \$200,000 (\$250,000 Married) Employer/Employee	All Remaining Wages Employer/Employee
Current Law	1.45%/1.45% 2.9% self-employed	1.45%/1.45% 2.9% self-employed
Obamacare Tax Hike	1.45%/1.45% 2.9% self-employed	1.45%/2.35% 3.8% self-employed

*Americans for Tax Reform is a non-partisan coalition of taxpayers and taxpayer groups who oppose all tax increases.  
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