

**DISTRIBUTIONAL EFFECTS OF A PROPOSAL TO  
IMPOSE A 40 PERCENT EXCISE TAX ON HEALTH COVERAGE IN EXCESS OF \$8,500/\$23,000  
(\$9,850/\$26,000 FOR RETIRED AND HIGH RISK) INDEXED TO THE CPI-U PLUS ONE PERCENTAGE POINT;  
PROVIDE EXCHANGE PLAN CREDITS AND SUBSIDIES TO CERTAIN LOW-INCOME TAXPAYERS;  
INCREASE HI TAX ON EARNINGS IN EXCESS OF \$200,000 (\$250,000 JOINT FILERS);  
AND INCREASE THE AGI FLOOR FOR MEDICAL EXPENSE DEDUCTIONS TO TEN PERCENT(1)**

[Returns in Thousands; Dollars in Millions]

Calendar Year 2019

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)									
	All Returns		Single Filers		Joint Filers		Head of Household			
	Returns	Dollars	Returns	Dollars	Returns	Dollars	Returns	Dollars	Returns	Dollars
Less than \$10,000.....	783	-\$78	560	-\$9	91	\$8	131	-\$76		
\$10,000 to \$20,000.....	4,250	-\$7,886	2,985	-\$4,930	437	-\$718	829	-\$2,238		
\$20,000 to \$30,000.....	8,044	-\$22,853	4,243	-\$6,698	1,185	-\$4,448	2,616	-\$11,708		
\$30,000 to \$40,000.....	9,516	-\$21,475	4,728	-\$3,109	2,044	-\$7,803	2,743	-\$10,563		
\$40,000 to \$50,000.....	9,603	-\$14,165	4,735	-\$340	2,640	-\$6,254	2,228	-\$7,572		
\$50,000 to \$75,000.....	19,769	-\$12,019	7,783	\$4,034	8,228	-\$10,489	3,758	-\$5,564		
\$75,000 to \$100,000.....	14,383	\$4,241	3,157	\$2,137	9,849	\$1,284	1,377	\$820		
\$100,000 to \$200,000.....	19,882	\$18,990	2,413	\$1,744	16,674	\$16,490	795	\$756		
\$200,000 to \$500,000.....	4,995	\$7,934	554	\$936	4,321	\$6,789	120	\$210		
\$500,000 to \$1,000,000.....	777	\$2,690	83	\$255	671	\$2,361	23	\$75		
\$1,000,000 and over.....	432	\$3,834	51	\$406	372	\$3,348	10	\$81		
<b>Total, All Taxpayers.....</b>	<b>92,435</b>	<b>-\$40,786</b>	<b>31,292</b>	<b>-\$5,533</b>	<b>46,512</b>	<b>\$517</b>	<b>14,630</b>	<b>-\$35,770</b>		

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

- (1) The proposal would impose a 40% excise tax at the insurer level on health coverage in excess of \$8,500 for single plans and \$23,000 for family plans. For retired individuals age 55 and over or those covered by a plan for high risk industries, the 40% excise tax would apply on health coverage in excess of \$9,850 for single plans and \$26,000 for family plans. Amounts would be indexed for inflation by the CPI-U plus one percentage point in years after 2013. The excise tax is nondeductible. The proposal would provide transition relief for the high 17 states. Under the proposal, refundable tax credits would be provided to taxpayers who enroll in exchange plans with income between 100 percent and 400 percent of FPL. The proposal provides for outlays in the form of cost-sharing subsidies for out-of-pocket medical expenses for exchange participants between 100% and 200% of FPL. The proposal increases the AGI threshold for the deduction of medical expenses from 7.5% to 10%. The proposal would increase the revenue effects of changes in excludable compensation due to the effects of the broader reform on employer sponsored coverage. The analysis includes the revenue effects of changes in excludable compensation due to the effects of the broader reform on employer sponsored coverage.
- (2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, and [8] excluded income of U.S. citizens living abroad. Categories are measured at 2009 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.