

What the President's Tax Proposals Will Mean to District 7

Many District 7 residents will bear the brunt of tax increases with some of the highest tax increases in the country.

(Our district ranks 9th out of 435 congressional districts in total projected tax increase.)^a

Here are five examples of the additional tax burden we would face under the President's budget and the House of Representatives energy and health care tax bills. It is clear that our district cannot sustain this new tax burden.

Worker earning \$55,000 a year without accepted health insurance

Federal Income Tax after 2010: \$10,580^b

Payroll Taxes: \$4,210^c

New 2.5% "no health care" tax penalty: \$1,135^d

Impact of National Energy Tax: \$555^e

Income going to Federal Taxes: 21%

Estimated Tax Increase: \$3,085

Oil and Gas Engineer earning \$135,000 a year

Federal Income Tax after 2010: \$33,240^f

Payroll Taxes: \$8,280^g

Impact of National Energy Tax: \$675^h

Income going to Federal Taxes: 31%

Estimated Tax Increase: \$2,395

Small Business Owner with \$800,000 payroll, 20 employees and no healthcare plan

New 8% "no health care" tax payroll penalty: \$64,000ⁱ

Would have to lay off at least one employee making about \$40,000 to make up for increased taxes.

Medical Center Physician earning \$210,000 a year

Federal income tax after 2010: \$54,045^j

Payroll Taxes: \$ 9,370^k

Impact of National Energy Tax: \$1,380^l

Income going to Federal Taxes: 31%

Estimated Tax Increase: \$982

Married couple with income of \$1.5 million

Federal income tax after 2010: \$548,095^m

Payroll Taxes: \$28,075ⁿ

5.4% health care surtax: \$27,000^{o p}

Impact of National Energy Tax: \$1,380^q

Income going to Federal Taxes: 40%

Estimated Tax Increase: \$81,110

These proposed tax increases will go to pay for NEW spending. None of these new revenue streams will address the short-term deficit or our long-term fiscal liabilities.

To close the short-term budget deficits, income tax rates would have to triple across the income spectrum.^r In order to pay off our long-term liabilities, every single American would need to write a check to the Treasury Department for over \$200,000.^s

^a Heritage Foundation http://www.heritage.org/Research/Taxes/images/b2271_table2_1.gif

^b Single filer 2011 Income Tax. Calculated using the Congressional Research Service's May 7, 2009 Memorandum: "Projected Values of Key Tax Parameters."

^c Based on current rate of 6.2% of first 102,000 for Social Security and rate of 1.45% for Medicare.

^d Section 501 of H.R. 3962 provides for a 2.5% additional tax on the income in excess of the exemption of \$9,518.5 (2011 inflation-adjusted level).

^e CBO, table 2 <http://www.cbo.gov/ftpdocs/103xx/doc10327/06-19-CapTradeCosts.htm>

^f Single filer 2011 Income Tax. Calculated using the Congressional Research Service's May 7, 2009 Memorandum: "Projected Values of Key Tax Parameters."

^g Based on current rate of 6.2% of first 102,000 for Social Security and rate of 1.45% for Medicare.

^h CBO, table 2 <http://www.cbo.gov/ftpdocs/103xx/doc10327/06-19-CapTradeCosts.htm>

ⁱ Section 512 of H.R. 3962 establishes a payroll tax of 8% for employers who cannot or do not offer coverage.

^j Single Filer Income Tax 2011. Calculated using the Congressional Research Service's May 7, 2009 Memorandum: "Projected Values of Key Tax Parameters."

^k Based on current rate of 6.2% of first 102,000 for Social Security and rate of 1.45% for Medicare.

^l CBO, table 2 <http://www.cbo.gov/ftpdocs/103xx/doc10327/06-19-CapTradeCosts.htm>

^m Joint Return 2011 Income Tax. Calculated using the Congressional Research Service's May 7, 2009 Memorandum: "Projected Values of Key Tax Parameters."

ⁿ Based on current rate of 6.2% of first 102,000 for Social Security and rate of 1.45% for Medicare.

^o Joint Tax Committee <http://waysandmeans.house.gov/media/pdf/111/jctdhr3200.pdf> (page 24)

^p H.R. 3962's primary tax offset is a surtax on top earners, but it is not indexed for inflation, which means it would eventually hit middle-income taxpayers — much like the current problem plaguing the Alternative Minimum Tax.

^q CBO, table 2 <http://www.cbo.gov/ftpdocs/103xx/doc10327/06-19-CapTradeCosts.htm>

^r Tax Foundation <http://www.taxfoundation.org/news/show/25413.html>

^s GAO's estimated Federal Fiscal Gap is \$62.1 trillion (table 1)

<http://www.gao.gov/new.items/d10137sp.pdf>