



THE
**AMERICAN
HEALTH CARE
ACT:**

An \$800,000 Annual Tax Cut
for Greg Gianforte

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Executive Summary

President Donald Trump ran on a campaign platform of [repealing and replacing the Affordable Care Act](#) (ACA), and since 2010, when the bill was passed, the United States Congress has taken [more than 60 votes](#) to repeal the legislation. The American Health Care Act (AHCA) is the current legislative vehicle Republicans in Congress have developed to repeal the ACA. Yet critics of the bill – including health care experts, patient groups, senior groups, and groups representing doctors, nurses, and hospitals -- warn that it would throw millions off insurance and remove critical health care protections without sufficient replacement provisions to protect the livelihood of millions of Americans.

A key criticism of the AHCA is that it is a [tax cut disguised as a health care bill](#). Significant cuts included in the bill are the [repeal](#) of a 3.8 percent Net Investment Income Tax (NIIT) and 0.9 percent additional Medicare Hospital Insurance (HI) payroll tax, both of which are taxes on high earners (applying only to those whose incomes exceed \$200,000, or \$250,000 for married taxpayers who file jointly). For Greg Gianforte, based on an annualized calculation of wages, capital gains, and dividend income, that means he would receive a \$772,981 tax cut every year from the repeal of NIIT and an annual \$12,432 cut from HI repeal. Ultimately, Gianforte stands to receive an estimated \$785,413 in tax cuts from the AHCA each year.

With the serious implications of the AHCA on individual health care, the [razor-thin margin](#) of the vote in the House of Representatives, and the inevitable legislative changes in the United States Senate, individual Members of Congress have [come under increasing scrutiny](#) for their votes and changing positions on the legislation.

The candidates for Montana's At-Large seat in the House of Representatives have starkly different positions on the AHCA. Rob Quist (D) has stated outright [opposition](#) to the bill, while his opponent, Greg Gianforte (R), has shifted his stance on the bill. Gianforte has claimed he has [insufficient information](#) about the AHCA, but also told Washington lobbyists that he is ["thankful"](#) the legislation is moving forward.

American Health Care Act Tax Cuts Heavily Favor Wealthy Americans

On March 23, Congress's nonpartisan scorekeepers -- the Congressional Budget Office and Joint Committee on Taxation (JCT) -- [released their estimates](#) of the costs of repealing the various taxes associated with the Affordable Care Act (ACA). The scorekeepers estimate that repealing ACA funding mechanisms as outlined in the American Health Care Act (AHCA) will reduce revenues by more than \$700 billion over the next decade.

The AHCA repeals two key ACA taxes levied on the wealthy that were used to help pay for insurance expansions for low- and moderate-income Americans: a 3.8 percent surcharge on investment income ([NIIT](#)) and an additional 0.9 percent Medicare payroll tax or Hospital Insurance Surtax ([HI](#)). These taxes apply exclusively to high-income taxpayers. The AHCA also cuts taxes for health insurers, prescription drug makers, and other companies.

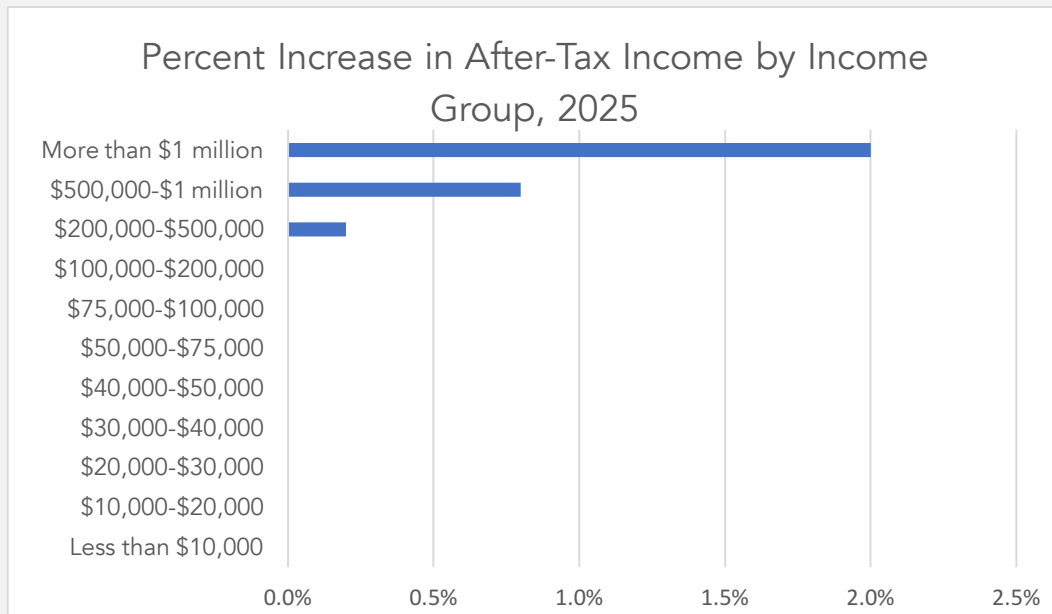
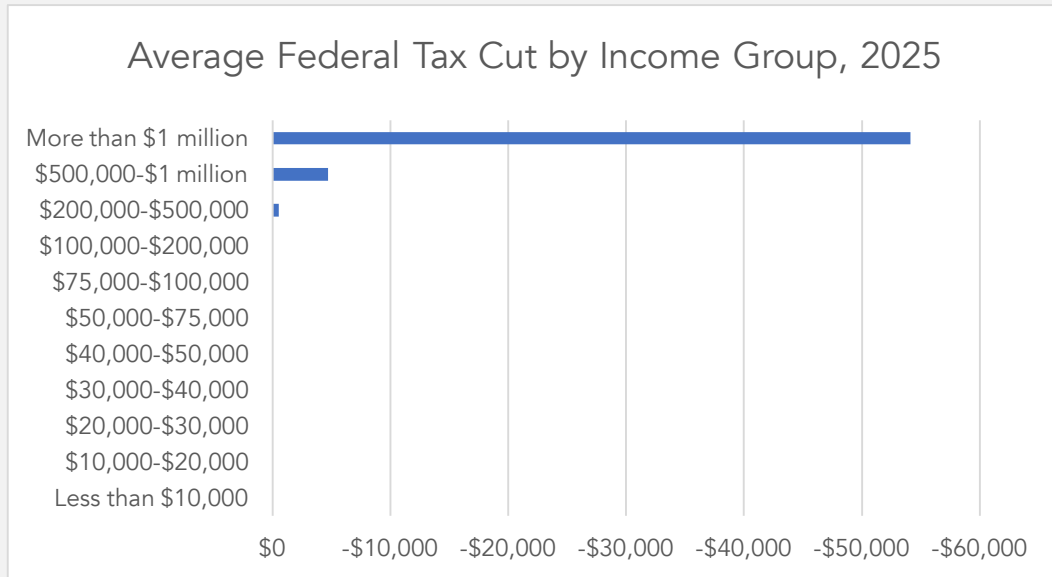
Provision	2017-2026 Cost
Repeal 3.8 percent investment income tax	\$172 billion
Repeal health insurer tax	\$127 billion
Repeal health insurer tax and repeal limit on deductions for health insurance executives	\$145 billion
Repeal tax on prescription drug makers	\$29 billion
Repeal tax on medical device makers	\$20 billion
Other tax changes	\$237 billion
Total	\$729 billion

Ultimately, the AHCA tax cut provisions would transfer hundreds of billions in funds now used for expanding health coverage to the wealthiest Americans. [According to the Tax Policy Center \(TPC\)](#):

In 2022, when the proposed changes would be fully effective, the lowest income households would get an average tax cut of about \$150, or about 0.9 percent of their after-tax income. Middle-income households would get an average tax cut of about \$300, or roughly 0.5 percent of their after-tax income. At the same time, the highest income one percent of households would enjoy an average tax cut of more than \$37,000, or 2.1 percent of their after-tax income, and those in the top 0.1 percent (who will make \$3.9 million or more), would get \$207,000 on average, boosting their after tax incomes by 2.6 percent.

TPC [also estimates](#) that millionaires would receive 79 percent of the tax cut from repealing the NIIT and HI surtax in 2025, and the Center on Budget and Policy Priorities (CBPP) [further estimates](#) that “the 400 highest-income taxpayers would get annual tax cuts averaging about \$7 million each.”

Eliminating Two Affordable Care Act Medicare Taxes Only Helps High-Income Filers



Note: Includes repeal of the 0.9 percent Medicare Hospital Insurance tax on earned income and 3.8 percent net investment income tax on income from wealth for individuals with income above \$200,000 (\$250,000 for couples).

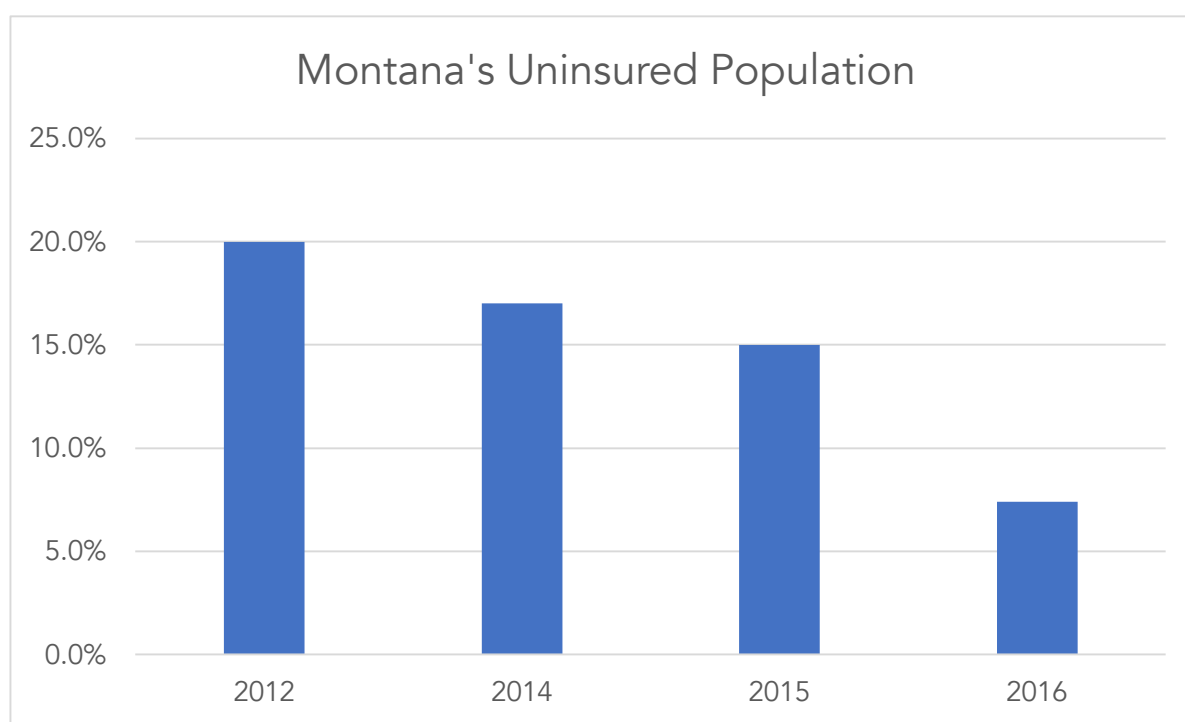
Source: Tax Policy Center Tables T16-0303 and T16-0311 ([CBPP.org](https://www.cbpp.org))

SOURCE: [Table 1](#) and [Table 2](#)

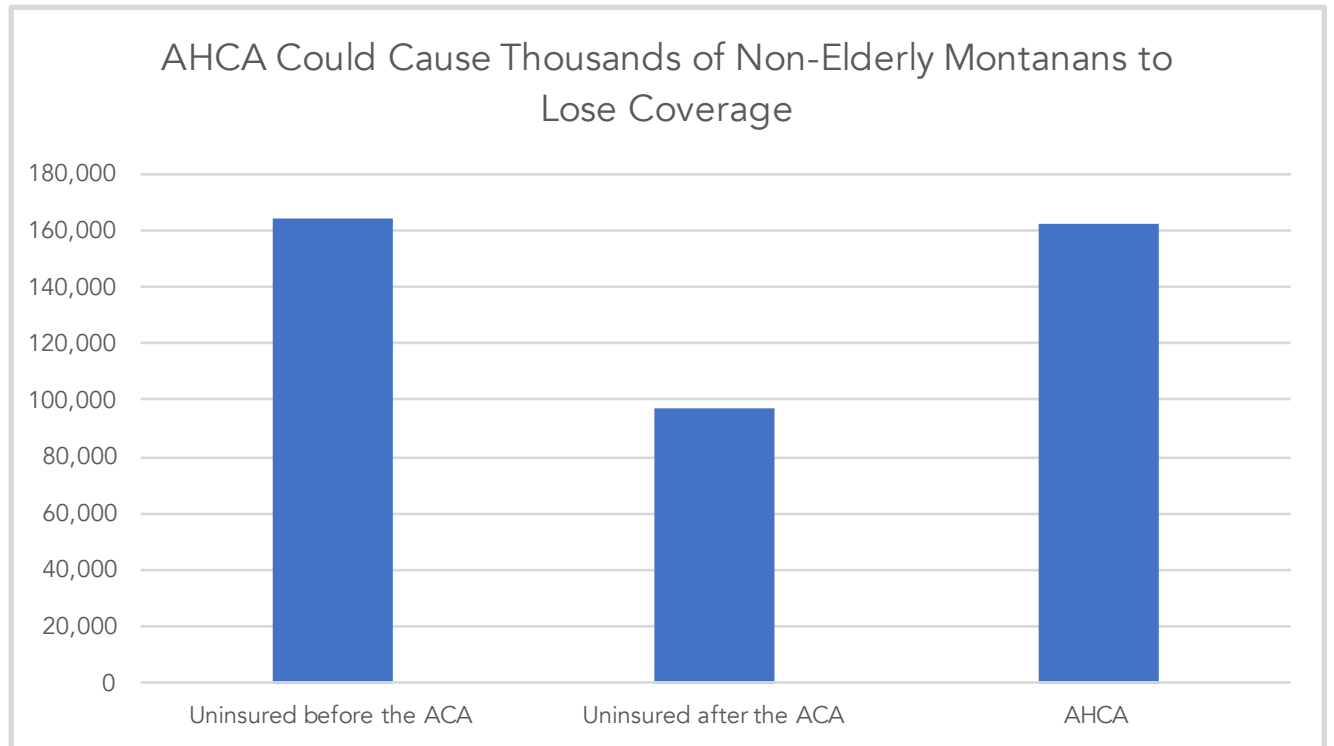
American Health Care Act: Impact on Montana

In April of 2015, Montana Governor Steve Bullock signed into law the [Montana Health and Economic Livelihood Partnership Act \(HELP\)](#) with bipartisan support from the Montana Legislature, expanding the Big Sky State's Medicaid program to provide health care [coverage for more than 70,000 Montanans](#).

Brought into effect in January 2016, Montana expanded Medicaid coverage to adults with incomes up to 138 percent of the federal poverty level (FPL) (\$16,394 for a single adult in 2017). As a result of ACA implementation, Montana's [uninsured rate dropped](#) from 20 percent in 2012 to 7.4 percent in 2016, with thousands of Montanans purchasing health coverage through the health insurance marketplace. Signing the AHCA into law would reverse the progress made in Montana, and result in an estimated 61,000 fewer Montanans having health insurance, [increase health care costs](#) by an average of \$5,220 for individuals in Montana (including \$7,280 for low-income individuals and \$12,146 for older individuals) and \$11,045 for families (\$17,182 for low-income families and \$19,924 for older families).



([Source](#))



([Source](#))

Gianforte Comments on the American Health Care Act

As the House of Representatives was debating the AHCA, Gianforte campaign spokesman Shane Scanlon demurred when asked by reporters how Gianforte would vote on the measure. He [told reporters](#) that “Greg needs to know all the facts, because it’s important to know exactly what’s in the bill before he votes on it.” However, behind closed doors, according to a report from the [New York Times](#), Gianforte offered another answer:

But on the same day, during a private conference call with Republican-leaning lobbyists in Washington, Mr. Gianforte offered a more supportive view of the health bill. Making the case for the “national significance” of the Montana election on May 25, Mr. Gianforte said: “The votes in the House are going to determine whether we get tax reform done, sounds like we just passed a health care thing, which I’m thankful for, sounds like we’re starting to repeal and replace.”

Attempting to clean up his remarks, Gianforte later dodged confirming to [Eric Whitney of Montana Public Radio](#) he was ‘thankful’ that the bill was moving forward.

Eric Whitney: So you're thankful that the House passed this bill, but it's not a bill that you would have helped pass. Is that right?

Greg Gianforte: As an engineer, I need to collect the data and make a decision, and the commitment I've made to Montana is I will not vote for a bill if I'm not sure that I can guarantee to Montanans that premiums will come down, that there is rural access - is preserved, and that we can protect people with pre-existing conditions.

Giving Gianforte significant latitude about how he would vote, the question becomes: Should he be thankful for the AHCA?

The answer is clearly yes.

Repealing the Net Investment Income and Hospital Insurance Surtax: An \$800,000 Tax Cut for Gianforte

As part of the Affordable Care Act, high-income individuals – those with adjusted gross incomes above \$200,000, or \$250,000 for couples – pay a 3.8 percent Net Investment Income Tax (NIIT) on net investment income. That income includes interest, dividends, capital gains, rental and royalty income, and non-qualified annuities. These forms of income flow overwhelmingly, and disproportionately, to very high-income households.

For example, according to the [Tax Policy Center](#), nearly 70 percent of all long-term capital gains income goes to richest 1 percent of households. As a result of the concentration of investment income among the wealthy and the income threshold for the NIIT, repeal of the NIIT only benefits the wealthy, delivering no benefit at all to middle class families. As tax expert [Howard Gleckman](#) writes, “90 percent of the benefit repeal of the 3.8 percent net investment tax would go to those in the top 1 percent, who make \$700,000 or more.” No one in the bottom 80 percent of households would benefit from this tax provision’s repeal.

Similarly, the 0.9 percent Hospital Insurance Surtax (HI), the proceeds of which go into the Medicare Trust Fund, applies only to wage income over \$250,000. This means its repeal would only benefit the highest earners. [The Tax Policy Center](#) estimates that 66 percent of the tax benefit would go to households earning more than \$1 million a year.

During his 2016 race for Montana Governor, Gianforte [released personal tax return data](#). While he did not publicly release his full returns, he disclosed topline wages, dividends/interest, capital gains, royalties/rents, total income, and deductions from 2005-14.

Over ten years, Gianforte made roughly \$203.5 million in dividends, interest, capital gains, rents and royalties earnings, for an average yearly investment income of over \$20 million.

Assuming that average annual investment income, Gianforte stands to receive a \$772,981 tax break each year based solely on the repeal of the NIIT.

During that same period, Gianforte made more than \$16 million in wage-based income, for an average yearly income of \$1.6 million. Assuming that average wage income, Gianforte stands to receive a \$12,432 tax break each year from a repeal of the HI surtax.

Together, between the NIIT and the HI surtax, based on his average income over the ten-year period for which his income is known, Gianforte stands to receive an annual tax cut of nearly \$800,000 from the American Health Care Act. The [median Montana household has an income of \\$49,509](#) a year. Gianforte's tax break from AHCA is more than 15 times larger than that. Over the course of a decade, the AHCA would be worth nearly \$8 million in tax cuts to Mr. Gianforte.¹

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¹ The tax cut would still be massive for Gianforte even based on his 2013-2014 income (the years after he sold his business). Based on his average investment and wage income over 2013-2014, he would stand to receive a \$313,234 tax cut from NIIT repeal and a \$2,520 from HI surtax repeal, for a total annual tax cut of \$315,754. That is more than six times the median Montana household's income.

Summary of federal income taxes for Greg & Susan Gianforte (in millions of dollars)												
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total	Annual
Wages	0.349	0.413	0.368	0.416	0.56	0.678	0.9	12.1	0.446	0.084	16.314	1.6314
Dividends/interest	0.2	0.8	1.7	1.15	1.4	1.43	1.37	2	3.2	4.4	17.65	1.765
Capital gains	12.8	28.2	13.2	0.342	1.16	2.1	25.7	97	5.1	3.8	189.402	18.9402
Royalties/rents	-0.273	-0.48	-0.316	-0.413	-0.402	-0.377	-0.413	-0.948	0.12	-0.134	-3.636	-0.3636
Total income	13	29	15	1.5	2.8	3.8	27.6	110	9	8.4	220.1	22.01
Deductions	4	7.4	4.2	1.5	1	1.3	5.8	24	6.8	3.9	59.9	5.99
DD for state taxes	0.438	0.351	1.3	0.5	0.137	0.256	0.29	1.7	3.7	0.581	9.253	0.9253
DD for charitable gifts	3.9	7.6	3	0.33	0.6	0.789	5.5	22	2.8	2.8	49.319	4.9319
Taxable Income	9	21.6	10.8	0	1.7	2.5	21.7	86.4	2.2	4.5	160.4	16.04
Taxes	1.37	3.2	1.75	0.13	0.444	0.573	3.3	13.1	1.3	0.955	26.122	2.6122
Taxes as % of taxable income	15.20%	14.80%	16.20%	0	26%	23%	15.20%	15.10%	59%	21%	16.30%	
Taxes as % of total income	10.50%	11%	11.70%	0	15.90%	15.10%	12%	12%	14.40%	11.40%	11.90%	