



THE
**AMERICAN
HEALTH CARE
ACT:**

A \$1,000,000 Annual Tax Cut
for Rep. Darrell Issa

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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 50 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 Rep. Darrell Issa, based on his Personal Finance Disclosure (PFD), that means he would receive at least a \$1 million tax cut every year from the repeal of NIIT, and possibly as much as \$3 million. Given the nature of PFDs, it is impossible to tell exactly how much Rep. Issa would gain in tax breaks from the repeal of the HI tax, but it is clear that Issa stands to receive, at minimum, an estimated \$1 million in tax cuts from the repeal of the NIIT included in 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.

Rep. Issa waited until the last minute to decide to vote to take away health care from millions of Americans – and [36,900 of his own constituents](#) – waiting until he was on the House floor before casting his vote for repeal of the ACA.

American Health Care Act Tax Cuts Heavily Favor Wealthy Americans

On May 24, 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 ACA. The scorekeepers estimate that repealing ACA funding mechanisms as outlined in the AHCA will cost more than \$600 billion through 2026.

The AHCA repeals two key ACA taxes levied on the wealthy to help subsidize health coverage 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). According to IRS data, in 2015 alone, the NIIT brought in \$18.3 billion, and the HI tax brought in \$8.6 billion. Repealing them would cost about \$231 billion over the next decade (the HI tax repeal only takes effect after 2022), with the breakdown below.

Provision	2017-2026 Cost
Repeal 3.8 percent investment income tax	\$172 billion
Repeal 0.9 percent Medicare HI surtax	\$59 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	\$662 billion

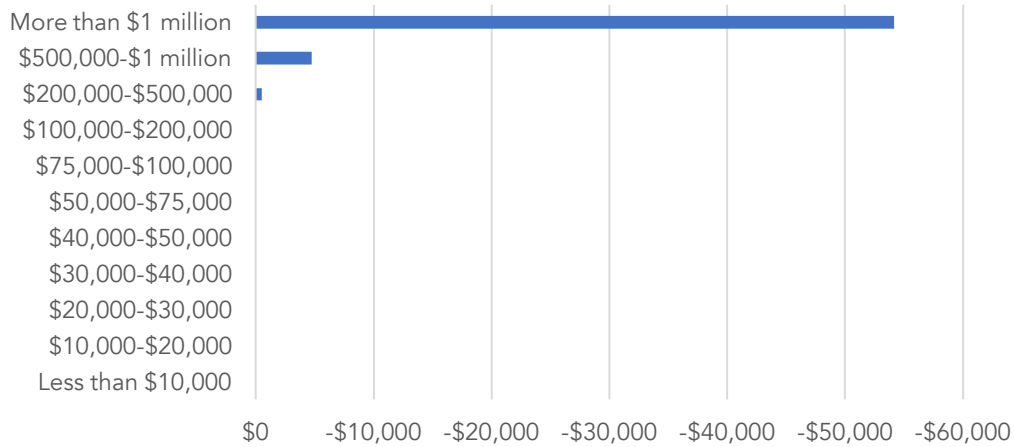
SOURCE: [Congressional Budget Office](#)

Ultimately, the AHCA tax cut provisions would transfer a significant portion of \$231 billion in public-health spending to the wealthiest Americans, as middle-income families are not affected by the NIIT and HI provisions. [According to the Tax Policy Center \(TPC\)](#), “[AHCA’s tax changes] go almost entirely to the highest earning households, while providing little or no benefit to the bottom 80 percent of the income distribution.” In fact, [TPC estimates](#) that a \$37,000 average annual tax cut will go to the 1 percent of the population with the highest earnings (annual income of over \$772,000). The top 0.1 percent of the income distribution would receive an annual tax cut of over \$200,000 (annual income over \$3.9 million).

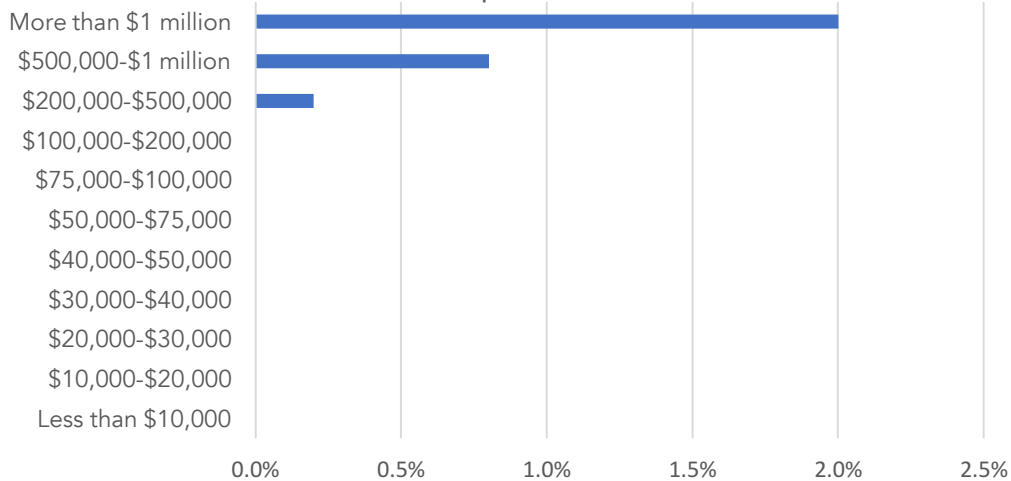
TPC [also estimates](#) that millionaires would reap the rewards of 79 percent of the tax cuts from repealing these provisions in 2025, and the Center on Budget and Policy Priorities (CBPP) [further estimates](#) that “the 400 highest-income taxpayers would get annual tax cuts averaging about \$7 million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

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

Average Federal Tax Cut by Income Group, 2025



Percent Increase in After-Tax Income by Income Group, 2025



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: Tax Policy Center ([Table 1](#) and [Table 2](#))

American Health Care Act: Impact on California

California has gained the most of any state from the passage of the ACA. As of November 2016, through the expansion of Medicaid coverage and the rollout of federal subsidies to assist in paying for health insurance premiums, [4.9 million Californians](#) have gained health coverage under the ACA. [3.7 million Californians](#) gained coverage through the expansion of Medi-Cal, the California low-income health insurance program – 71 percent of whom are people of color – and 1.2 million Californians have received federal assistance to pay their health insurance premiums.

The uninsured rate in California is currently lower than it is in the rest of the country, and it has decreased by half since the law was introduced, going from [17.2 percent in 2013 to 8.6 percent in 2015](#). The national uninsured rate was 9.4 percent in 2015.

If the ACA is repealed, [2,582,200 fewer Californians would have health insurance](#) by 2026, including [36,900 people](#) in Rep. Issa's district alone.

Signing the AHCA into law would reverse the progress that has been made across the state and in Rep. Issa's district. California also stands to lose roughly [\\$160 billion](#) in Medicaid and CHIP funding.

Repealing the Net Investment Income Surtax: A \$1,000,000 Tax Cut for Issa

As part of the ACA, certain wealthy individuals pay a 3.8 percent Net Investment Income Tax (NIIT) on net investment income, or "the amount by which their modified adjusted gross income exceeds the statutory threshold amount based on their filing status." That income includes, but is not limited to: 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 the richest 1 percent of households. As a result, repeal of the NIIT only benefits the extremely wealthy, delivering no benefit at all to middle class families. According to the [Tax Policy Center](#), "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.

Members of Congress are not required to release their tax returns. They are, however, required to release some information about their personal finances, including their investments and

sources of income. The financial disclosures do not reveal specific values, but rather ranges into which their income, from various sources, falls.

In 2015, Rep. Issa's [financial disclosures](#) show that he made at least \$27 million, and as much as \$78 million, mostly from dividends and capital gains income. [Rep. Darrell Issa is the wealthiest member of Congress](#), with an estimated minimum net worth of \$254.7 million in 2014, according to the [Los Angeles Times](#).

Had the NIIT been repealed in 2015, Rep. Issa would have reaped at least a \$1 million tax break, and perhaps as much as almost \$3 million. According to the [US Census](#), the median income in Rep. Issa's district is \$81,611. Issa's minimum tax break from the AHCA is more than 12 times larger than that.

Furthermore, because more than two-thirds of Rep. Issa's income comes from dividends, which are yearly disbursements, it's fair to assume that the repeal of the NIIT would continue providing Rep. Issa a large tax break every year.

If Rep. Issa's income stays within the same range it was in during 2015, over the course of a decade, the AHCA would be worth at least \$10 million in tax cuts to Rep. Issa.