

How the Health Care Surcharge Works

- The bill would require the top 1.2% of earners – households with adjusted gross income in excess of \$350,000 (married filing a joint return) and \$280,000 (single) – to contribute towards the cost of providing access to affordable health care for all Americans through a new health care surcharge.
- The health care surcharge only applies to income earned in excess of \$350,000. For example:
 - For a family making \$350,000, no surcharge would apply.
 - For a family making \$351,000, the 1% surcharge would apply to \$1,000 (income in excess of the \$350,000 and below \$500,000).
 - For a family making \$501,000, the 1.5% surcharge would apply to \$1,000 (income in excess of \$500,000 and below \$1,000,000), and the 1% surcharge would apply to income between \$350,000 and \$500,000.
 - For a family making \$1,001,000, the 5.4% surcharge would apply to \$1,000 (income in excess of \$1,000,000), the 1.5% surcharge would apply income between \$500,000 and below \$1,000,000, and the 1% surcharge would apply to income between \$350,000 and \$500,000.
- If the health reforms included in the bill achieve projected cost savings, **families making between \$350,000 and \$1,000,000 will need to contribute less than 1% of their annual income to help provide access to affordable health care for all Americans.**

Adjusted Gross Income	% of Households*	Maximum Amount They Could Owe
1%Rate \$350,000 - \$500,000 joint (\$280,000 - \$400,000 single)	0.50%	\$0 - \$1,500
1.5% Rate \$500,000 - \$1,000,000 joint (\$400,000 - \$800,000 single)	0.45%	\$1,500 - \$9,000
5.4% rate Over \$1,000,000 joint (over \$800,000 single)	0.27%	\$9,000 + 5.4% of income OVER \$1 million
*Source: Joint Committee on Taxation.		

There is an expectation that the reforms included in the bill will generate greater health savings than the Congressional Budget Office (CBO) projected in scoring the cost of the bill. **As a result, the bill includes a trigger that would completely eliminate the surcharges (for tax years after 2012) on households making between \$350,000 and \$1,000,000 if, in December 2012, the Office of Management and Budget determines that there will be more than \$175 billion in extra savings above the savings currently projected by CBO.** If the extra savings are less than \$150 billion, the 1% and 1.5% health care surcharges would increase by a factor of two (i.e., 2% and 3%). If the extra savings exceed \$150 billion but are less than \$175 billion, the 1% and 1.5% health care surcharges would remain unchanged.