

The Democrat Health Care Bill ***A Large Tax on Small Businesses***

Raises Taxes on Small Businesses

Democrats announced they will be levying a small business tax to pay for their government takeover of healthcare. Although the Democrats claim that this is a tax on "rich" we know that this is not necessarily the case. Of taxpayers who file in the top brackets more than half of them are small business. The Democrat plan, according to a study by the Tax Foundation, would raise the top tax rate in 39 states to more than 50%.

According to the Democrats plan, filers making \$280,000 (\$350,000 joint) will be hit with a 1% surtax, filers making \$400,000 (\$500,000) will be hit with a 1.5% surtax and filers making \$800,000 (\$1,000,000) will be hit with a 5.4% surtax. The Democrats imbedded an automatic tax increase in their bill by doubling the 1% and 1.5% small business tax in 2013 continuing their revenue grab from small businesses.

According the National Association of Manufactures (NAM), an industry hit hard by the economy, 68% of manufactures file as S-corporations with an average income of \$570,000, well above the \$350,000 base the Democrats have set for the surtax. The higher the Democrats tax small business, the less likely they will be to continue to provide healthcare to their employees.

Hurts Small Businesses Workers Through Employer Mandates

The employer mandate imposed by the Democrat bill would create a new payroll tax on employers who do not provide their employees with insurance or who are deemed to not provide adequate insurance to their employees. The new payroll tax could equal as much as 8% of the payroll of the entire company.

Many small businesses cannot currently afford to provide health insurance to their employees. For example, only 49% of small businesses with 3 to 9 workers offer health insurance. Rather than reducing costs on these employers, the Democrat bill imposes a new payroll tax on each of these employers with more than \$250,000 in payroll.

For those small businesses that do provide health insurance to their employees many are likely to find that their insurance is deemed inadequate by the Democrat bill. The bill requires that to avoid the new payroll taxes, employers must pay 72.5% of an employee's health insurance premium (65% for family coverage). Yet, one in five small businesses with between 3 and 199 employees pay less than 75% of the cost of individual coverage and approximately one in three pay less than 50% of the cost of family coverage. The higher taxes imposed by the Democrats on small business will only increase the cost of providing healthcare and will ultimately lead to less coverage and lower wages.

Continued on the Back...

Amazingly, even if a small business provides insurance that is deemed adequate by the government, but their employee decides to enroll in another plan offered through the new government health care exchange, the employer will be required to pay a new payroll tax.

Forced Job Loss in the Middle of a Recession

The Democrats' tax on small business will force job loss during the deepest recession in the United States in a quarter of century. The Democrats have pegged their small business tax to both payroll and profits. In doing so, even struggling small business fighting to keep their doors open and preserve jobs will be subject to these new burdensome taxes. Democrats, by pegging the tax to payroll, will force small business to burn reserve cash faster and will likely lead to out of business signs appearing in store windows sooner. In fact, according to a model developed by Council of Economic Advisors Chair Christina Romer, such a proposal would destroy 4.7 million jobs.

Small Business Groups Oppose House Democrat Health Care Bill

"NFIB opposes the America's Affordable Health Choices Act of 2009 (H.R. 3200), because it threatens the viability of our nation's job creators, fails to increase access and choice to all small businesses, destroys choice and competition for private insurance, and fails to address the core challenge facing small businesses-cost." - NFIB Letter; July 15, 2009

"During these challenging economic times, we are especially concerned about employer mandates, including those veiled as pay-or-play and payroll tax approaches. These tactics will seriously impair the capacity of small businesses to create jobs – and would do so at the very moment the country struggles to climb out of a deep recession." - Joint Letter, July 15, 2009: National Association for the Self-Employed, National Federation of Independent Business, National Small Business Association

What Democrats Are Saying About Government Takeover of Healthcare

Rep. Jim Cooper (D-TN): "Employer Mandate Would Hurt both Business and Workers." *"Rep. Jim Cooper (D-Tenn.) said that the proposal is too far-reaching in its offerings and could not be practically implemented. He also said the employer mandate would harm both business and workers, adding, 'Congress just doesn't get it.'" ("Key Senate Committee Shopping Around Draft Health Reform Proposal", California Healthline, 6/8/2009)*

Rep. Mike Ross (D-AR): We Cannot Create A Public Option that Stacks the Deck Against a System that Currently Provides Coverage to More than 160 Million Americans. *"No one knows what the public option will or will not be able to achieve," said Representative Mike Ross of Arkansas, a Blue Dog leader. 'Frankly, it's an experiment. We cannot create a public option that stacks the deck against a system that currently provides coverage to more than 160 million Americans.'" (Robert Pear, "Obama Open to a Mandate on Health Insurance, New York Times, 6/3/2009)*

Rep. Gerry Connolly (D-VA): "I'm not persuaded any sort of tax increase is needed." *(Greg Hitt and Martin Vaughan, "Health Bill in House Relies on Wealth Tax, Wall Street Journal, 7/11/2009)*