

What to tax to pay for health care?

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WASHINGTON (AP) A federal soda pop tax. Higher levies on beer, wine and hard liquor. Taxing some health insurance benefits. Those are among the options the Senate is considering to pay for revamping health care.

How to pay for expanding coverage to nearly 50 million uninsured people is the toughest question in the health care debate. Cutting costs is a popular idea, but few experts think enough savings can be wrung from the system to expand coverage to so many despite pledges from medical providers.

The Senate Finance Committee, acknowledged the dilemma Monday as it released 40 pages of revenue raising options. They include cuts to providers and new taxes. Senators will meet behind closed doors Wednesday to debate the options.

"Many proposals expected to reduce health spending in the long run may not produce sufficient savings in the short run to finance reform," said the Finance Committee report. "Other proposals to generate revenue for health care reform could include taxes that affect lifestyle choices and taxes that generally target loopholes."

The reason Finance is important is that the committee has the best chance of coming up with a bill that can win Republican votes, a goal for President Barack Obama, even if the odds are long.

No figures were included on how much the proposals would raise. All face determined opposition from the industries affected. Lawmakers haven't made any decisions yet, but the menu of options gives a peek at the hit list.

The soda pop tax would apply to drinks sweetened with sugar, high-fructose corn syrup or other high-calorie sweeteners. That includes iced tea and noncarbonated drinks like punch. But diet drinks would escape the tax man.

The tax increase on alcoholic drinks would hit beer and wine hardest. Per ounce of alcohol, hard liquor now faces the highest federal tax rate. The Senate option would raise the current tax rate, and then apply the same rate to all types of alcoholic drinks. Small wineries and breweries would get some consideration.

Health insurance provided by employers isn't taxable now, even though it's considered part of overall compensation. Senators are considering several options, including taxing health insurance benefits for individuals making more than \$200,000 a year, or \$400,000 for a couple. Another would limit the tax-free status of health insurance to the value of the standard plan available to federal employees.

Potential revenue raisers also include doing away with flexible spending accounts, limiting the income tax deduction for out-of-pocket medical costs, and charging upper income seniors more for their Medicare drug plans.

Congress is forging ahead on health care, with no consensus in sight on how to pay.

Few of Obama's proposed tax increases have been well received on Capitol Hill, and there aren't many popular ideas coming from lawmakers, either.

Democrats, who have been fighting the tax-and-spend label for decades, are very much aware of what happened the last time a Democrat won the White House and a Democratic-controlled Congress voted to raise taxes. It was 1993, and Republicans won control of Congress the following year.

"Ever since then they've been especially scared to deal with these difficult issues," said Eugene Steuerle, a Treasury official under President Ronald Reagan.

Obama says his goals are to rein in costs, guarantee choice of health plans and doctors, and ensure that all Americans have access to affordable coverage. But guaranteeing coverage for all could cost \$1.5 trillion over the next decade, which has some advocates concerned that Congress will pass a plan that falls short.

Medical providers have pledged to find \$2 trillion in savings over the next decade, but much of that money will be needed to keep premiums from skyrocketing for those who already have coverage.

Rep. Charles Rangel, chairman of the tax-writing House Ways and Means Committee, said Congress "absolutely" has the will to raise taxes to pay for health care reform.

"Cut costs, raise revenue," the New York Democrat said. "Closing loopholes could be considered raising taxes, right?"

But Rangel is one of the few lawmakers to openly embrace tax increases. Today's Democratic Congress is, after all, very different from the one that helped President Bill Clinton raise taxes in 1993 to reduce federal budget deficits. Democrats retook Congress in 2006 and expanded their majority in 2008 in part by electing moderates in Republican-leaning districts.

Many of those newly elected Democrats are wary of voting to raise taxes, especially when they are unlikely to get any Republican support.

Obama's proposal targets high-income families by reducing their tax deductions, including those for mortgage interest and charitable donations, for individuals making more than \$200,000 and couples making more than \$250,000.

Finance Committee Chairman Max Baucus, D-Mont., has been working for months on a plan that would tax at least some health benefits provided by employers.

Obama, however, opposed a similar plan offered by his rival in the presidential election, Sen. John McCain, R-Ariz. Baucus' plan is getting no better reaction from fellow Democrats in the House.

In a broadcast interview, Clinton said that Congress should focus on containing costs rather than raising taxes. That would mean expanding coverage more slowly. Even after 10 years there might still be 15 million or more uninsured Americans.

Clinton, of course, remembers how hard it was to craft a massive health care overhaul when he was president. It went about as well as the 1994 elections did for the Democrats.