Congress of the United States
JOINT COMMITTEE ON TAXATION
Washington, DC 20515–6453

NOV 03 2009

**MEMORANDUM**

**TO:** Mark Prater, Nick Wyatt, and Jim Lyons

**FROM:** Tom Barthold

**SUBJECT:** Revenue Estimate

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This memorandum is in response to your request of October 30, 2009, for an estimate of the percentage of revenue raised from the 5.4-percent AGI surtax included in the "Affordable Health Care for America Act" attributable to business income.

For purposes of this analysis, business income consists of income from sole proprietorships (Schedule C); farm income (Schedule F); and income from rental real estate, royalties, partnerships, subchapter S corporations, estates and trusts, and real estate mortgage investment conduits (Schedule E), as would be reported on lines 12, 17, and 18 of the 2008 Form 1040. We do not count as "business income" income from interest, dividends, or capital gains that may flow through certain pass-through entities but which is reported elsewhere on an individual's return.

Under the "Affordable Health Care for America Act," a 5.4-percent surtax would be imposed on adjusted gross income ("AGI") in excess of $500,000 ($1,000,000 in the case of a married taxpayer filing a joint return). For purposes of responding to your request, we have assumed that net positive business income is "stacked" last relative to the other income components of AGI. For example, a married taxpayer filing jointly with $2 million of AGI including $500,000 of net business income would have one-half of the taxpayer's $54,000 surtax liability under the "Affordable Health Care for America Act" attributed to the taxpayer's net business income.

We estimate that one-third of the $460.5 billion estimated to be raised in fiscal years 2011-2019 from the 5.4-percent AGI surtax under the "Affordable Health Care for America Act" is attributed to business income.