



For Immediate Release

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Grassley seeks information about impact of proposed Medicare tax increase

WASHINGTON --- Senator Chuck Grassley said today that he's asked for information from the Joint Committee on Taxation about which taxpayers would be impacted by the Medicare payroll tax increase in the Patient Protection and Affordable Care Act of 2009.

"If Democratic leaders want to increase Medicare taxes, the revenue should go to Medicare, with Medicare's Hospital Insurance trust fund scheduled to run dry in eight years and the payroll tax having been established to fund the Medicare program, not for other government spending," Grassley said.

Beyond that, Grassley said there's little understanding at this point as to which taxpayers earning less than \$200,000 could end up being affected by the Medicare tax increase proposed by Senate Majority Leader Harry Reid. "The unintended consequences could be significant," he said.

Specifically, Grassley said he's asked the nonpartisan congressional tax experts to determine how this Medicare tax increase could become like the Alternative Minimum Tax, or AMT, where the tax didn't affect many taxpayers in the beginning but has ended up becoming a major tax burden for more and more taxpayers because it wasn't indexed. Reid's Medicare tax increase isn't tied to inflation, so it will creep down the income ladder like the AMT.

Grassley said the new tax also would impose a marriage penalty. For the first time, under Reid's proposed Medicare tax increase for couples earning over \$250,000, there would be two separate tax rates on the payroll tax base. Married couples would pay higher payroll taxes due solely to being married. Grassley has asked the nonpartisan Joint Committee on Taxation for information about who would be hit with this marriage penalty if Reid's bill became law.

Finally, Grassley said senators should consider how "Democratic congressional leaders may be tempted, even very soon, to impose this new Medicare tax on people

earning less than the threshold that's proposed today, as Medicare's financial health continues to deteriorate, jeopardizing the program for seniors, and the new entitlement spending in the health care bill becomes increasingly more expensive," he said.