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## **Obama's Tax on the Middle Class**

**by Sheldon Richman**

President Obama has no intention of keeping his campaign promise not to raise taxes on the middle class. Hiding this will take some clever moves, but maybe, now that he has won the Nobel Peace Prize, he's trying for an Olympic gold medal in mental gymnastics.

The tax increase for the middle class will come as part of his effort to overhaul the 15 percent of the economy devoted to medical care. This became clear when the Senate Finance Committee bill's price tag was disclosed. The *Washington Post* reported, "The \$829 billion cost would be more than offset by reducing spending on Medicare and other federal health programs by about \$400 billion over the next decade, and by imposing a series of fees on insurance companies, drugmakers, medical device manufacturers and other sectors of the health industry that stand to gain millions of new customers under the legislation." Obama does not oppose those charges.

"Fees" — that's a euphemism for taxes. There's an old saying that goes, Businesses don't pay taxes; they collect them. Only people pay taxes. Corporations are abstractions. When government imposes taxes on corporations, you can be sure that they will have a negative impact on prices, wages, and share prices — which means that workers, consumers, and investors (many of whom are living on or building retirement accounts) will actually do the paying. The middle class will be well represented in those groups.

There goes Obama's promise. But anyone paying close attention would already know that the middle class would be financially burdened by his health-care plans. From the start the idea has been to subsidize medical care for those without insurance because they lack the wherewithal or because they are already sick, and to force everyone to buy policies with expanded "basic coverage" that includes more services, such as "free" preventive care. But there is no such thing as a free lunch, as the late Milton Friedman reminded us. Someone will have to pay. Who? All who buy insurance or who has it bought for them by their employers. Insurance premiums will have to rise to reflect the newly subsidized demand for care and the lengthening list of covered services.

That means the middle class (along with the wealthy) will pay more, directly or indirectly, for their insurance. That's a tax increase. Moreover, anyone who refuses to buy insurance in defiance of the mandate would be fined — another tax increase.

No it isn't, says President Obama. When George Stephanopoulos of ABC insisted it is, Obama did his best to get out of a tight spot: "You can't just make up that language and decide that that's called a tax increase." Stephanopoulos read him the dictionary definition: "a charge, usually of money, imposed by authority on persons or property for public purposes." Obama did some mental somersaults: "George, the fact that you looked up Merriam's Dictionary, the definition of tax increase, indicates to me that you're stretching a little bit right now. Otherwise, you wouldn't have gone to the dictionary to check on the definition.... My critics say everything is a tax increase.... I absolutely reject that notion [that a fine for violating the insurance mandate is a tax]."

Stephanopoulos gave it a good effort but he didn't go nearly as far as he could have. Any financial burden on the people that results from a government decree — such as more-expensive insurance — is an implicit tax. That is clear when you realize that the government's objective could be achieved with an open tax. Take Obama's objective of covering people with preexisting medical conditions. The current plans would forbid insurance companies to refuse coverage for such people. Nor would the companies be allowed to charge people who are already sick the full cost of their coverage, since that would defeat the purpose of the plan. So everyone else will pay higher premiums. But the government could instead impose an open tax on the healthy to finance the care of the sick rather than hiding the cost in insurance premiums. So the hidden cost of the program is an implicit tax.

Obama cannot dance away from the fact that he will be raising taxes on the middle class.

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