

H.R. 4 Would Increase Taxes on Middle Class

Raises Number of Uninsured

- **Increases Taxes on the Middle Class.** H.R. 4 would force many middle-income Americans to pay higher taxes. Simply by accepting a better job, picking up extra shifts or receiving a holiday bonus, these families would have to pay the IRS the value of their health premium tax credits, jeopardizing their financial security.
- **Creates a Steep Cliff that will Penalize Middle Class.** It would eliminate protections for families with income between 400 and 500 percent of poverty (\$88,000 to \$110,000 for a family of four). That means if a family's actual annual income was even one dollar above 400 percent of poverty, they could have to pay the IRS the entire value of their health insurance premium tax credits. According to the Joint Committee on Taxation, the average payment for a family between 400 and 450 percent of poverty will go up by \$3,000 due to the Republican policy, for a total of \$6,000 or more in payments to the IRS.
- **Undoes Bipartisan Agreement on Health Care.** While there has been contentious disagreement about health reform, the structure of the repayment caps is one of the few health reform issues with strong bipartisan agreement. The House fixed the problem of a steep cliff if one's income increased to 400 percent of poverty by a bipartisan vote of 409-2 last December -- and it was signed into law. H.R. 4 undoes that bipartisan agreement so that Republicans can increase taxes on the middle class -- those between 400 and 500 percent of poverty -- by \$25 billion.
- **Leads to an INCREASE in the Number of Uninsured.** According to the Joint Committee on Taxation, the Republican proposal will cause an increase in the uninsured of 266,000. Over a quarter of million individuals will no longer receive health insurance out of fear that they will be forced to pay substantial amounts to the IRS at tax-time.
- **Disproportionately Hurts Families Living in High Premium Areas.** Families who have to pay the IRS the value of their health premium tax credits will have to pay *even more* if they live in parts of the country that have higher premiums due to circumstances in the local market.

What Consumer Groups and Experts are Saying

- Families USA - ***"House Republicans wish to decimate what remains of the safe harbor that protects individuals and families from substantial tax penalties that may result due to unexpected changes in income or family status...The Affordable Care Act provides built-in flexibility to consumers and protects them by capping the tax penalty they will owe if the monthly premium credit received during the year exceeds the amount of credit due based on unexpected changes in income or family status."***
- Center on Budget and Policy Priorities - ***"Making the required repayment amounts even larger would be highly ill-advised. It would penalize, and cause hardship to, large numbers of modest-income families who have done everything they are supposed to do and have received subsidies that accurately reflected their needs and circumstances during the period they got that assistance. [H.R. 705] would require them to repay very large sums because their income during the months that they did not receive a subsidy, such as after they found a job, significantly exceeded their income during the months they received a subsidy."***
- Timothy Jost, Professor of Law Washington and Lee University School of Law - ***"Millions more consumers will face unanticipated financial burdens. This is likely to create a powerful backlash, as Americans who thought they were receiving a tax credit to help them purchase insurance find out it was in fact only a loan, and that they owe the IRS a substantial debt."***
- Kaiser Family Foundation - ***"Raising or eliminating the repayment cap would further exacerbate the problem [of suppressing participation] and discourage participation in the Exchanges by the very population the law was intended to help."***

Republican “True Up” 101

Background on the Republican 1099 Offset

“True Up” Background

The Affordable Care Act makes advanced tax credits available for people with incomes below 400 percent of poverty to assist with the cost of obtaining affordable health insurance. Advanced credits are necessary so families have real time assistance in purchasing coverage.

During tax filing season, there is a reconciliation process comparing the tax credits that would be received based on actual income versus the tax credits that were advanced based on the taxpayer’s most recently filed return. This process of reconciliation is often called “true up.”

Repayment Caps

The Affordable Care Act protected people receiving subsidies from having to pay the IRS the entire difference in their tax credit level if they saw a change in income. Under the law, the payment amount for individuals with incomes below 400 percent of poverty was capped at \$250 for an individual and \$400 for a family. However, people whose income changed *even slightly* above 400 percent of poverty would suddenly owe the IRS 100 percent of any tax credits they received. **In December, Congress changed the policy to a graduated income approach that protects those with lower incomes, while evening out the cliff that faced people at 400 percent threshold.**

The structure of the repayment caps is one of the few health reform issues agreed to on a bipartisan basis. **Every Member of the Ways and Means Committee who was in Congress last year voted FOR this policy when it passed by a vote of 409-2 in December.**

Republican Proposal

To offset the cost of 1099 repeal, Republicans have proposed reinstating the cliff at the 400 percent threshold and collapsing the repayment caps more broadly below the 400 percent threshold.

What does that mean?

It means that if a family’s income goes **even one dollar** above 400 percent of poverty they would have to pay IRS the entire credit. According to the Joint Committee on Taxation, families between 400 and 450 percent of poverty would pay an *average* of \$3,000 more than under present law. Many families could pay thousands more. **In other words, low- and middle-income Americans will be paying the IRS billions of dollars in increased taxes -- money that was used to obtain health insurance for their families.**