

All the President's Medicare Taxes

Including state taxes, tax rates under Biden would hit nearly 60%.

President Biden isn't shy about saying he wants to tax the rich even more than he already does, but the extent of his plans aren't widely known because the press ignores them. Our job is to keep you informed on those details, and the confiscatory rates on income and capital they add up to.

Consider the plan in the new White House budget to "save" Medicare, which will soon hit a wall. The budget claims to extend the Medicare hospital insurance trust fund indefinitely by "modestly increasing the Medicare tax rate on incomes above \$400,000" and "closing loopholes in existing Medicare taxes." That depends on how you define "modestly."

Recall that ObamaCare increased the 2.9% Medicare tax on wage income of married couples earning more than \$250,000 (\$200,000 singles) by 0.9 percentage points. It also imposed a 3.8% surcharge on their investment earnings. However, the law exempted owners and partners in pass-through businesses from the surtax on profit distributions.

Progressives say many accountants, lawyers and white-collar professionals are skirting taxes because they benefit from this exemption. But so do many plumbers, farmers and mom-and-pop shop owners. The Biden budget would eliminate the exemption and ostensibly apply the 3.8% tax to pass-through income of more than \$200,000. Didn't Mr. Biden promise not to raise taxes on Americans earning less than \$400,000?

Mr. Biden also wants to increase this surtax on earned and unearned income to 5% for couples earning more than \$450,000 (\$400,000 singles). On top of that, he calls for raising the top rate on ordinary income to 39.6% from 37%. This would raise the top effective marginal rate to 44.6%, and it would kick in at \$450,000 instead of the current \$693,751.

Add it all up, and small businesses would see the top rate increase by 7.6 percentage points, or about 20%. This isn't a modest tax increase, Mr. President. Proprietors will have less money to reinvest, and the higher rate is a disincentive to grow a business.

It gets worse. Mr. Biden also wants to apply the top 44.6% rate to capital gains for anyone earning more than \$1 million—effectively doubling the current 23.8% tax on capital gains. This wouldn't slam only the rich in Greenwich, Conn. It would wallop Americans who sell their businesses after decades of building equity.

Pile on state income taxes—which reach as high as 14.8% in New York City and 13.3% in California—and many Americans would pay nearly 60% of their income to the tax man. That's a higher top rate than in nearly every developed country, including Canada (53.5%), Italy (52.2%) and Sweden (52.2%).

The White House economic wizards don't believe that higher tax rates affect decisions to work and invest. Like the President, they must not get out much. Doubling the tax rate on capital is a sure way to get less capital investment, which means less economic growth.

And don't believe the White House pitch that its tax increases will keep Medicare solvent. They'd raise only \$1.3 trillion or so over the next decade. Medicare will spend about \$1 trillion this year. Leaders of both parties oppose Medicare reform, so higher taxes on the middle class and medical-care rationing are on the way. They'd start in Mr. Biden's second term.