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ObamaCare "Penalty Tax" Now Estimated to Hit 6 Million Mostly Low- and Middle-Income Americans

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The Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) have updated their estimates of how many people will have to pay the "penalty tax" for not complying with the ObamaCare individual mandate to buy health insurance:

"After accounting for those who will not be subject to the penalty tax, CBO and JCT now estimate that about 6 million people will pay a penalty because they are uninsured in 2016 (a figure that includes uninsured dependents who have the penalty paid on their behalf) and that total collections will be about \$7 billion in 2016 and average about \$8 billion per year over the 2017–2022 period. Those estimates differ from projections that CBO and JCT made in April 2010: About two million more uninsured people are now projected to pay the penalty each year, and collections are now expected to be about \$3 billion more per year.

Most of the increase—about 85 percent—in the number of people who are expected to pay the penalty tax stems from changes in CBO and JCT's baseline projections since April 2010, including the effects of legislation enacted since that time, changes in the economic outlook (primarily a higher unemployment rate and lower wages and salaries), and other technical updates. A small share—about 15 percent—of the increase in the number of uninsured people expected to pay the penalty results from the recent Supreme Court decision. As a result of that decision, CBO and JCT now anticipate that some states will not expand their Medicaid programs at all or will not expand coverage to the full extent authorized by the ACA. Such state decisions are projected to increase the number of uninsured, a small percentage of whom will be subject to the penalty tax."

They also estimate that most of the 6 million who pay the penalty tax will be low- or middle-income earners. About 600,000 individuals and families in poverty will pay the tax, meaning individuals who earn less than \$12,000 per year and families who earn less than \$24,600 (see the table below). About half, or 3 million, will earn less than 300 percent of the poverty level, which is roughly the median income.

Based on my earlier analysis, these low-income families will pay as much as 10 percent of their income. Meanwhile, the relatively few high-income families that pay this tax will owe a much smaller percent of their income – around 2 percent – making this a highly regressive tax.

Healthinsurance.org, an organization funded by health insurance companies, has criticized my analysis, claiming that ObamaCare expansion of Medicaid means: "The household earning \$25,000 would be insured, and wouldn't owe a dime." However, this CBO/JCT analysis takes all of these factors into account and still finds 600,000 such families will owe more than a dime – somewhere between \$695 and \$2,085 by my analysis.

Who Will Pay the Individual Mandate Penalty Tax?

Adjusted Gross Income Relative to Federal Poverty Level (\$12,000 for Single, \$24,600 for Family of Four)	Payers (Millions)	Share of Payers (%)	Payment (\$Billions)	Share of Payments (%)
Less than 100%	0.6	10	0.3	4
100% to 200%	1.2	21	0.6	9
200% to 300%	1.2	20	0.7	10

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300% to 400%	1.1	18	0.8	12
400% to 500%	0.6	11	0.7	10
Greater than 500%	1.2	20	3.8	55
Total	5.9	100	6.9	100

Source: CBO/JCT estimates for 2016.

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