

## **MICHIGAN DISPARITIES IN HEALTH CARE UNFAIR TAXATION OF SELF PAID MEDICAL EXPENSES**

**Unfair Taxation:** Self paid health insurance premiums, medical, and dental expenses are paid with after tax dollars. Employer paid health insurance premiums, medical, and dental expenses are not listed as income, are not taxable income, and individuals do not pay any taxes on employer paid health benefits. The tax consequence is a huge unfair disparity for the self pay using after tax dollars.

### **Example:**

The cost in pretax dollars is calculated by subtracting the percentage of the tax rate in decimal form from the number one, and using the result to divide the cost of the premium. A simple example is a family health insurance policy costing \$1,000 a month or \$12,000 a year. Take an individual in the 25% federal income tax bracket (gross income between 35,350-85,650). Subtracting 25% from one ( $1 - .25 = 0.75$ ) and dividing 12,000 by .75 equals 16,000. The individual has to earn \$16,000 in pretax dollars before federal income taxes of **\$4,000** are paid in order to pay the \$12,000 premium in after tax dollars. The self employed have to pay \$2,168 in social security and medicare taxes on the same yearly premium paid with after tax dollars. With the same example in Michigan (tax rate 4.25%) the self pay have to earn \$12,533 in pretax dollars ( $(12,000 \text{ divided by } (1-0.0425) = 12,533)$ ) to pay the premium with the disparity being **\$533** in levied Michigan income tax. In the example the self pay are paying a total of **\$6,701** in yearly taxes to purchase health insurance costing \$12,000 a year that individuals with employer paid health insurance avoid.

The best employer benefit packages feature no deductibles and low co-pays. They include essential mandated benefits, office visits, dental, vision, and drug coverage. The self paid ACA plans include essential mandated benefits, but usually have no dental or vision. Besides high premiums the self pay plans have high deductibles and co-pays that must be met before they actually cover many medical expenses. A typical deductible could be about \$6,000 for the year. Using the above example an additional **\$3,350** in taxes would have to be paid for out of pocket deductible expenses of \$6,000. There are also out of pocket dental and vision expenses for the self pay. The self pay could be burdened with over **\$10,000** a year in taxes that those with employer paid benefits avoid. It is the greatest disparity in health care. That is a tremendous financial disparity facing many Americans. Millions of Americans face this economic discrimination by having to self pay medical expenses completely or partially.

Millions of Americans are helplessly financing this disparity due to the economic, financial, marketing, and political power of large corporations and unions that enable them to provide these tax free benefits. It has been considered part of the American way of doing things. One way to correct this disparity is to have a single payer health care system like much of the rest of the world. Many Americans favor this and so do I. However, this is not going to happen in the near future for many reasons that can be summed up as it is not the "American Way." In order for all Americans to be created equal concerning medical expenses all Americans should be able to subtract medical expenses from gross income before calculating taxable income.

### **Arizona has eliminated this disparity:**

The state of Arizona allows its full time residents to [fully deduct all medical expenses](#) including self paid health insurance premiums (the same deductions allowed on the Federal 1040, Schedule A, but

not limited by the 10% rule) from adjusted gross income before calculating the Arizona state income tax. I would like Michigan to adopt the same policy.

The above example illustrates that the health care financing disparity is greatest at the federal level due to higher federal income tax rates and payroll taxes. What I propose for Michigan should be done at the federal level. There will be a greater impetus to eliminate the disparity at the federal level if states eliminate this unfair health care taxation levied against individuals who self pay health insurance premiums with after tax dollars. This will be especially true if it is an issue that garners votes for candidates like me who strongly advocate eliminating the above mentioned disparity. The self pay should not tolerate this health care disparity. Heal thyself by throwing off this world of hurt and financial pain.

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