

Shocking Tax in Health Care Law

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The Supreme Court upheld the [Patient Protection and Affordability Act](#) last week by deciding the mandate was a tax. Now I thought the federal government forcing citizens to buy a product from a private company was unconstitutional but the fact it is a tax makes it legal. What is shocking to me and likely is to you is a provision never discussed before: a 3.8% investment income surcharge.

Didn't hear about that one did you?

Now this surcharge doesn't directly affect the majority of Americans but indirectly it will affect everyone. This surcharge bumps long-term capital gains and dividend income rates from 15 to 18.8%. If the Bush tax cuts expire at the end of this year, long-term capital gains will go up further to 23.8% and dividends will go as high as 43.4%. These increases will occur for single filers with an adjusted gross income of over \$200,000 and joint filers over \$250,000.

This will affect how people invest and perform business transactions. For example, those looking to sell property or a business will accelerate the process and try to close the transaction before the end of the year. Next year tax-exempt municipal bonds will become far more attractive than corporate bonds where earnings will be taxed much higher. Since corporate bonds will become more expensive businesses will make different investment decisions of their own affecting purchasing and hiring.

Surprise, surprise, the 2700 page long bill now that has been upheld by the Supreme Court will have myriad unintended consequences. This tax is just one of the surprising twists. What will be next?