

SENATOR STEVE DAINES (MT)

FACT SHEET: REPEALING OBAMACARE'S INDIVIDUAL MANDATE

Fact: Repealing Obamacare's individual mandate reduces federal spending

The Congressional Budget Office (CBO) and Joint Committee on Taxation (JCT) [project](#) that repealing the individual mandate in 2019 will save **\$318 billion** over the next ten years, money that the Senate tax reform bill redirects toward tax relief for job creators and middle-income Americans.

Fact: Repealing Obamacare's individual mandate is a tax cut

CBO recently [found](#) that repealing the individual mandate would **prevent a \$43 billion tax increase**, which is the projected amount of tax penalties that the mandate would bring in over the next ten years. (See Table 1). CBO concluded that, absent repeal, the individual mandate would generate at least \$5 billion in tax penalties every year for as far as the eye can see.

And contrary to some claims, voluntarily choosing not to buy subsidized health insurance—which would remain available—is not a tax increase, as Avik Roy has correctly [explained](#). CBO and JCT have [confirmed](#) that Americans of all incomes will receive tax relief under the Senate legislation when the purported effects of repealing the individual mandate are excluded.

Fact: Obamacare's individual mandate hurts poor and middle-income Americans the most

Combining 2014 and 2015, the individual mandate tax penalty has been paid 14.6 million times. **42% of penalty payers have made less than \$25,000 and 82% of penalty payers made less than \$50,000.** It is Obamacare's Poverty Tax. A national overview and state-by-state breakdown for 2015, with links to the Internal Revenue Service data, can be found [here](#). 2014 [here](#).

The amount of tax penalties paid by Americans making less than 50,000 [nearly doubled](#) from 2014 to 2015, from \$973 million in 2014 to \$1.8 billion in 2015. This higher tax burden occurred because the base tax penalty increased from \$95 in 2014 to \$325 in 2015. It is now \$695.

While the percentage of penalty payers making less than 50,000 declined from 2014 to 2015, these Americans nonetheless paid a [greater share](#) (increased to 58.2%) of the total tax penalties collected in 2015 compared to 2014, while the share paid by those making more than \$100,000 declined. Americans making less than 25,000 paid a remarkable 22% of total tax penalties.

By way of comparison, in 2015 Americans making less than \$40,000 on average had *negative* federal income tax liability (they received a refund), according to [JCT](#) (See Table A-6), and Americans who made \$40,000-\$50,000 paid only 0.3% of federal individual income taxes. Obamacare's individual mandate tax penalty is just the opposite—it is extremely regressive.

The Internal Revenue Service (IRS) [estimates](#) that 313,000 Americans who paid the individual mandate penalty in 2015 may have been eligible for an exemption. Obamacare alone is to blame for this disturbing reality—not the American people—and the prevalence of mistaken or excessive tax penalty collection is another reason the individual mandate should be repealed.