



SEARCH: [input field]

HOME	NEWS	LOCAL	SPORTS	BUSINESS	FORUMS	LIVING & T
------	------	-------	--------	----------	--------	------------

# THE PLAIN DEALER

- Subscribe
- Today's Paper & More

## BLOGS

Breaking News from **RSS** The Plain Dealer

- Elderly woman falls to her death 5:56 p.m. ET
- Akron killer admits guilt 5:09 p.m. ET
- Patrol to tackle Lorain accident increase 4:18 p.m. ET
- More Breaking News

## Health plan deduction cuts Social Security

Saturday, January 27, 2007

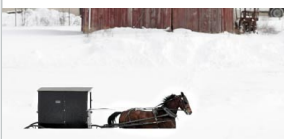
**Elizabeth Auster**  
Plain Dealer Bureau

Washington - A little-noticed part of President Bush's new health-insurance proposal could pose a sticky question: Is it worth getting a tax break for health coverage if it means you will end up with smaller Social Security checks when you retire?

Bush's proposal to create a tax deduction for health insurance, if enacted into law, could reduce Social Security benefits for many Americans because the deduction would apply not only to income taxes, but also to payroll taxes that go to Social Security. While most workers might welcome a cut in payroll taxes, the flip side is the less they pay into Social Security, the less they can collect when they retire.

Roberton Williams, an economist at the nonpartisan Washington-based Tax Policy Center, predicts that if Bush's plan were to take effect, most Americans would focus initially on their lower tax bill.

## PHOTO OF THE DAY



Click image to enlarge

Chuck Crow/The Plain Dealer  
A horse-drawn Amish buggy trots along on a snow-plowed Springdale Rd., south of W. High St. in Middlefield, Ohio. Another blast of snow hit on Sunday, leaving high embankments next to streets, as high as the wheels on this buggy. With Lake Erie still open, more snow could fall all week.

- See More Photos
- Plain Dealer Graphics

Advertisement

[CONTINUE STORY](#)

## NEWS VIDEO

• [More Videos](#)

### PRINT EDITION HEADLINES

- Asian Indians are aglow about new Ohio legislator
- Audit finds poor records at Mound plant
- Authorities identify suspect who drowned after chase
- [More Headlines](#)

### FORUMS

Discuss today's top stories.

- [Talk about it in our Chatterbox Forum](#)

#### Chatterbox Forum

- [Any else see the column... by Alexk 01/29/2007 9:19 p.m. ET](#)
- [Withdrawing w/Dire... by LeftySteve 01/29/2007 7:27 p.m. ET](#)
- [Take your intellectual... by Kentuck 01/29/2007 7:28 p.m. ET](#)
- [More](#)

#### Hot Topics

- [Chatterbox Forum](#)
- [Politics Forum](#)
- [All Forums](#)



"People are notoriously short-sighted," he said. "What they don't see is what's going to happen down the road when they retire."

An analysis by the Tax Policy Center concludes that under Bush's plan, "most of the people who save on payroll taxes would receive smaller Social Security benefits in retirement."

For low- and middle-income families, it says, "this could translate into a very substantial drop in retirement living standards."

Under Bush's plan, the government for the first time would offer a tax deduction for people with private health insurance, whether they buy it on their own or get it from employers. The deduction would be \$7,500 for an individual policy and \$15,000 for a family policy, even if a worker's health plan costs less.

For the first time, the government also would require health premiums paid by employers to be considered taxable income for workers. If a company provides coverage that costs more than the amount of the deduction, the worker would owe income and payroll taxes on the difference.

Most workers are expected to owe less in taxes under Bush's plan, at least initially, because most policies cost less than the deductions. But the income tax break would be worth more for people with high incomes, because they pay higher tax rates.

The Bush administration has said that people with low-paying jobs who owe little or no income taxes still would gain because the deduction also would apply to payroll taxes. Williams, however, said the Tax Policy Center's analysis suggests that any savings on payroll taxes would eventually be canceled out by the lower benefits workers would get when they retire.

**CONTINUED** 1 | [2](#) [Next](#)



[HOME](#)[NEWS](#)[LOCAL](#)[SPORTS](#)[BUSINESS](#)[FORUMS](#)[LIVING & T](#)

# THE PLAIN DEALER

- [Subscribe](#)
- [Today's Paper & More](#)

## BLOGS

### Breaking News from [The Plain Dealer](#) [RSS](#)

- [Elderly woman falls to her death 5:56 p.m. ET](#)
- [Akron killer admits guilt 5:09 p.m. ET](#)
- [Patrol to tackle Lorain accident increase 4:18 p.m. ET](#)
- [More Breaking News](#)

## Health plan deduction cuts Social Security

Page 2 of 2

The hit would be hardest for low- and middle-income workers, he said, because Social Security's benefit formula gives them a larger return on what they pay into the system.

Alex Conant, a White House spokesman, said the administration believes any loss in retirement benefits would be outweighed by the virtue of making the health-insurance system fairer.

He said the administration believes it's unfair that some workers get health insurance from employers and pay no tax on the value of that benefit, while people who buy insurance on their own get no break.

## PHOTO OF THE DAY



[Click image to enlarge](#)

Chuck Crow/The Plain Dealer  
A horse-drawn Amish buggy trots along on a snow-plowed Springdale Rd., south of W. High St. in Middlefield, Ohio. Another blast of snow hit on Sunday, leaving high embankments next to streets, as high as the wheels on this buggy. With Lake Erie still open, more snow could fall all week.

- [See More Photos](#)
- [Plain Dealer Graphics](#)

Advertisement

[CONTINUE STORY](#)

## NEWS VIDEO

Conant also pointed out that under current law, workers who get health coverage from employers aren't paying payroll taxes on the value of that benefit, and therefore earning less in retirement benefits than they would if the benefit were taxed.

He acknowledged that under Bush's plan, many workers would pay even less in payroll taxes than under current law, and therefore be eligible for lower retirement benefits, but he said workers could forgo the deduction if they choose.

If workers didn't take the deduction, however, they would face much higher taxes than under current law if they get coverage from employers because they would owe taxes on the value of the coverage.

Joseph Antos, a health policy scholar at the American Enterprise Institute who has praised Bush's proposal, said he views the effect on retirement benefits as "a relatively modest defect."

"Nothing's perfect," he said.

[• More Videos](#)

### PRINT EDITION HEADLINES

- [Asian Indians are aglow about new Ohio legislator](#)
- [Audit finds poor records at Mound plant](#)
- [Authorities identify suspect who drowned after chase](#)

[• More Headlines](#)

To reach this Plain Dealer reporter:  
eauster@plaind.com, 216-999-4212

[Previous](#) | [1](#) | [2](#)

### FORUMS

Discuss today's top stories.

- [• Talk about it in our Chatterbox Forum](#)

#### Chatterbox Forum

- [Any else see the column... by Alexk 01/29/2007 9:19 p.m. ET](#)
- [Withdrawing w/Dire... by LeftySteve 01/29/2007 7:27 p.m. ET](#)
- [Take your intellectual... by Kentuck 01/29/2007 7:28 p.m. ET](#)

[• More](#)

#### Hot Topics

- [• Chatterbox Forum](#)
- [• Politics Forum](#)

[• All Forums](#)