

SOTU Preview:

Standard Deduction For Health Insurance

"So in my State of the Union Address next Tuesday, I will propose a tax reform designed to help make basic private health insurance more affordable – whether you get it through your job or on your own."

– President George W. Bush, Radio Address, 1/20/07

Additional Information About The President's Proposed Standard Deduction For Health Insurance

- The President's primary goal is to make health insurance more affordable, allowing more Americans to purchase insurance.
- In his State of the Union Address, the President will propose a "standard deduction for health insurance" – just like the standard deduction for dependents.
- Under the President's proposal, families with health insurance will not pay income or payroll taxes on the first \$15,000 in compensation and singles will not pay income or payroll taxes on the first \$7,500.
- At the same time, health insurance would be considered taxable income. This is a change for those who now have health insurance through their jobs. The President's proposal will result in lower taxes for about 80 percent of them. The 20 percent of them with more generous policies will have the option to adjust their compensation to have lower premiums and higher wages to offset the tax change.
- The President's proposal levels the playing field for Americans who purchase health insurance individually rather than through their employers, providing a substantial tax benefit for all those who currently have health insurance purchased on the individual market.
- This proposal lowers taxes for all currently uninsured Americans who decide to purchase health insurance – making insurance more affordable and providing a significant incentive to all working Americans to purchase insurance coverage, thereby reducing the number of uninsured Americans.
- As we reform the Federal tax code, we will also support the innovative measures that States are taking to address the problem of the uninsured. Governors across the Nation have put forward plans to make basic private health insurance more accessible for their citizens.
- In his State of the Union Address, the President will announce a new effort – led by Health and Human Services Secretary Michael Leavitt – to help governors reduce the number of people in their states without private health insurance.