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Leaders in House Seek to Tax Rich for Health Plan

By [DAVID M. HERSZENHORN](#)

WASHINGTON — House Democrats will ask the wealthiest Americans to help pay for overhauling the health care system with a \$550 billion income tax increase, the chairman of the tax-writing Ways and Means Committee said Friday.

The proposal calls for a surtax on individuals earning at least \$280,000 in adjusted gross income and couples earning more than \$350,000, said the chairman, Representative [Charles B. Rangel](#) of New York.

It would generate about \$550 billion over 10 years to pay about half the cost of the legislation, Mr. Rangel said. As the proposal envisions it, the rest of the cost would be covered by lower spending on [Medicare](#), the government health plan for the elderly, and other health care savings.

With the economy still hobbled and Republicans already sharpening their tax-and-spend attack line, the proposal is perhaps the clearest expression yet of the mandate that Democrats believe they won last November, when voters expanded Democratic majorities in Congress and sent [Barack Obama](#) to the White House.

An aide to the House speaker, Representative [Nancy Pelosi](#) of California, said she and other leaders were supportive of the idea, which they concluded would be their main way to pay for Mr. Obama's top policy priority: expanding [health insurance](#) coverage to virtually all Americans and curtailing the steep rise in the cost of medical care while improving patient outcomes.

But it remains unclear whether the Senate will go along. Most Republicans there, or perhaps all, oppose the idea, along with some centrist Democrats.

Even in the more liberal House, where Democrats have a majority of 255 to 178, the tax proposal will most likely cost a substantial number of Democratic votes. The Blue Dog Coalition, made up of 52 fiscally conservative Democrats, expressed [apprehension](#) this week about the unfolding health care legislation, and that was before Mr. Rangel's announcement Friday.

In recent days, efforts to advance the legislation in both houses of Congress have slowed. That development calls into question whether Democrats will be able to meet their goal of passing the bills before the August recess, reconciling differences between the two versions upon their return and then getting a final measure to Mr. Obama's desk by October.

Among the biggest hurdles is the question of how to pay for the measure, which Mr. Obama has insisted not add to the national debt, a point he made again Friday at a news conference in Italy.

"Whatever bill is produced has to be paid for," he said. "And that creates some difficulties, because people would like to get the good stuff without paying for it. And so there are going to be some tough negotiations in the days and weeks to come, but I'm confident that we're going to get it done."

"I never believe anything is do-or-die," the president added, "but I really want to get it done by the August recess."

Republicans, who have pummeled the Democrats over the \$787 billion economic stimulus, pounced at word of the proposed tax increase, which they said would primarily hurt small-business owners.

"In the middle of a serious [recession](#), with unemployment nearing double digits, the last thing we need is a tax increase on small businesses, which will cost the American economy even more jobs," said Michael Steel, a spokesman for the House Republican leader, Representative [John A. Boehner](#) of Ohio.

The Senate health committee had hoped to approve its version of the health care legislation this week, but now expects to do that early next week. And Mr. Rangel and other House leaders had first said they would announce

their plan to pay for the legislation on Thursday, only to be slowed by an array of disagreements.


But emerging from daylong committee negotiations Friday, Mr. Rangel said the income surtax would take effect in 2011 and begin at 1 percent of adjusted gross income — earnings before deductions like those for mortgage interest and charitable contributions — and would apply to individuals earning more than \$280,000 and couples earning more than \$350,000.

The surtax would be increased for individuals earning more than \$400,000 and couples earning more than \$500,000, and step up again for individuals earning over \$800,000 and couples earning above \$1 million. The precise extent of these increases has not been announced.

Mr. Rangel's committee is also planning to insert language that would raise the surtax in 2013 if expected cost savings in the health care system do not materialize.

Mr. Rangel said the surtax was the "best way" to raise money for the health care overhaul, and it seemed to highlight a broader unwillingness by Ms. Pelosi and her caucus to compromise on what they see as crucially needed improvements to the system, including the creation of a government-run insurance plan that would compete against private insurers.

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