

# Medicare Maladies

A Series that Exposes the Dangerous Elements of the Medicare Bill currently in Committee

## MM #12: Prescription Drugs Bad Medicine for Tax Reform

Making prescription drugs a Medicare entitlement could be poison for tax reform.

The costs of the \$400 billion drug proposal, currently being hammered out by a Capitol Hill committee, would make proposals for a pro-growth tax system in America harder to achieve, says Heritage Foundation tax expert Daniel Mitchell in a July 25 study.

Some future tax reform ideas that would likely be scrapped include:

- **Alternative minimum tax (AMT) repeal.** This tax is a “Catch-22” system that forces many taxpayers to calculate their taxes twice. If this results in a higher tax liability, the taxpayer must pay more.
- **Corporate tax rate reduction.** America has a top corporate tax rate of 35 percent—the highest of any developed nation. This hinders the competitiveness of U.S.-based companies.
- **Universal IRAs.** People should not be taxed twice on income that is saved and invested, which is why individual retirement accounts should be universal.
- **Ending territorial taxation.** The United States taxes income earned in other nations—even though this income is already subject to foreign tax.

“Many of the reforms needed to bring the tax code closer to a simple and fair flat tax involve a reduction in tax revenue,” Mitchell writes. “This will be a daunting challenge.”

Read more of Mitchell’s study and other Medicare research at [heritage.org](http://heritage.org).

For more information or to receive an e-mail version of “Medicare Maladies,” contact [medicaremaladies@heritage.org](mailto:medicaremaladies@heritage.org) or call Heritage Media Services at (202) 675-1761.

(“Medicare Maladies” is a regular feature, launched 7/14/03, from The Heritage Foundation. Sad to say, there’s another malady coming your way tomorrow. Daily “maladies” are also available on [heritage.org](http://heritage.org).)