Medicare Maladies

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

MM #9: Kiss Your Tax Cuts Goodbye

Medicare "reform" could kill your tax cuts.

Seriously: Recently enacted income tax cuts will likely be the first casualty of Medicare "reform" if it covers prescription drugs, Heritage Foundation tax expert Daniel Mitchell notes in a July 23 study.

Here's how your tax cuts die: Enacted in 2001 and 2003, the tax cuts are set to expire in 2008 and 2010, respectively. Shortly after that, the first wave of baby boomers will likely retire—adding millions to the Medicare program, which already serves 40 million.

No problem at first, but Mitchell finds a catch: Medicare currently operates at a deficit because it spends more than what it gets through taxes. When you add a prescription drug benefit, one government study says that deficit will balloon as Medicare needs more taxes to pay for the needs of more patients—projected to be 80 million by 2030.

How much more in taxes? If Medicare pays 75 percent of prescription drugs, its overall deficit will consume about a third of income taxes in 2026. In 2042, it will be more than half.

Add government's other expenses, such as defense and Social Security, and you can kiss current and future tax cuts goodbye. Mitchell says such burdens will make it "enormously" difficult for politicians to cut taxes to, say, boost a sluggish economy. Or simply give you your money back. Read more of Mitchell's study and other Medicare research at heritage.org.

For more information or to receive an e-mail version of "Medicare Maladies," contact 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.)