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12:43 pm on Friday, July 10, 2009

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News

July 8, 2009

Group proposes two plans to pay for health reform

By [Alison Knezevich](#)
Staff writer

CHARLESTON, W.Va. -- Various proposals to overhaul the nation's health-care system are taking shape in Washington, but how will Americans pay for it.

A national tax-policy research and advocacy group says expanding the Medicare tax or limiting itemized deductions for the wealthy could cover costs without hurting middle- and low-income people.

This week, [Citizens for Tax Justice](#) released [state-by-state reports](#) detailing the two proposals. Several local organizations, including [West Virginia-Citizen Action Group](#) and the [West Virginia Center on Budget and Policy](#), also endorsed the plans.

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"I think these are two progressive proposals that would help us pay for health-care reform," said Gary Zuckett, executive director of WV-CAG. "We

can't really afford not to fix the health care system this year."



Zuckett said the plans would "rebalance the tax scales" after the Bush administration's tax cuts for the wealthy.

The proposals would affect states differently because of variations in typical

earnings, said CTJ Director Bob McIntyre. On average, West Virginians would pay the least under the plans.

"[West Virginia] would have the lowest average tax hike of any state in the country," McIntyre said.

The current Medicare tax largely exempts the wealthiest Americans whose income mostly comes from investment earnings, McIntyre said.

One proposal would expand the individual portion of the tax -- now a 1.45 percent tax on employees -- to unearned income such as capital gains and stock dividends. It also would hike the individual tax rate to 2.5 percent for earned and unearned income above \$200,000.

Under that plan -- which CTJ says would raise about \$500 billion over the next decade -- the richest 1 percent of West Virginians would see their annual taxes increase by \$6,729, according to CTJ's report. But the middle fifth would only pay \$47 extra.

The idea is gaining traction in Washington, McIntyre said: "I

see some future for it."

CTJ also supports a proposal by President Obama to limit the savings value of itemized deductions -- for things like charitable donations and mortgage interest payments -- for the wealthy. Under the current system, higher-income people get bigger tax breaks for itemized deductions.

Obama wants to limit the savings for each dollar of deductions to 28 cents, which would raise \$260 billion over the next decade, CTJ's report says. The richest 1 percent of West Virginians would pay an extra \$3,510 a year in taxes, but most residents wouldn't see an increase at all.

Critics say the plan would hurt nonprofit groups that rely on charitable donations.

The idea got a cool reception in the U.S. Senate, but "I don't think it's off the table yet," McIntyre said.

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