

TAX SUBSIDIES FOR HEALTH INSURANCE: SEN. JOHN MCCAIN (R-ARIZ.)
Presidential Candidate Forum: John McCain
October 31, 2007

“LAURIE MCGINLEY: Senator, you mentioned reforming the tax code and I’d like to talk to you a little bit about that. As I understand it you would like to get rid of the bias toward the employer sponsored insurance. And your plan as I understand it would revamp the tax exclusion for employer paid insurance and replace it with tax credits.

SEN. JOHN MCCAIN (R-ARIZ.): Yes.

LAURIE MCGINLEY: So, to clarify do you propose eliminating the exclusion all together? Would you get rid of the business deductions for employer for health insurance? And also would you make any employer contributions taxable to individuals? But obviously partially offset by the tax credit?

SEN. JOHN MCCAIN (R-ARIZ.): I would, there is no reason for employers—there is no reason for us to remove the employer tax incentive. I think that should stay exactly as it is. What we do obviously is move the tax to employees and provide those employees the individual \$1,500 tax, excuse me, \$2,500 tax credit refundable and \$5,000 for a family.

That tax credit more than makes up for the tax burden that they now bear and gives them, I think, substantially more choices. But I would not remove the employer tax break which they presently now have for provision of health insurance to their employees.

LAURIE MCGINLEY: As you know some people are concerned that even if you keep the business deduction for the employer that they will nevertheless be encouraged to drop healthcare coverage for their employees because the employees will be able to use the tax credit? So, how do you protect against that happening and might you not end up with more people uninsured?

SEN. JOHN MCCAIN (R-ARIZ.): I think, Laurie, that if you preserve the employer tax credit there is not a reason for them to drop it. They continue to have that tax advantage for doing so. But I think the important thing about the \$2,500 slash \$5,000 refundable tax credit for employees is for them to go out and make choices. When it’s their money and it’s their decision I think they make much wiser decisions than when it’s provided by somebody else. Ronald Reagan, who I love to quote all the time, once said “Nobody ever washed a rental car.” And I think that this applies here. If you’re getting it for free then obviously your sense of responsibility is very different than if it’s something that you can go out and choose your health insurance policy or if you have additional funds then you can invest it in health savings accounts, which a lot of us have been disappointed in the level of participation in health savings accounts. But I still think that they are a great idea and this may provide added stimulus for someone to invest that refundable tax credit in it.

And remember for low income Americans this is like handing them a check. I mean they aren’t paying taxes any way so this is handing them a check for \$2,500 or \$5,000 and say go out and choose your healthcare provider and, by the way, you don’t have to do it in Virginia or Arizona, you can go all over America and find the best policy for you and your family.”