

Presenting the Time Path of Medicare Tax Burden

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The ideal measure from an economic viewpoint would be the incremental excess burden of taxes required to support Medicare spending. One would need to assume how taxes might be increased if it is necessary to do so. Part everything but Part A, one simple approach would be to think of a proportional surcharge on everyone's income tax (with a little imprecision for those at the threshold of owing income tax). For increases in Part A spending one could outline an increase in the payroll tax rate (with or without adjustment for when the trust fund hits zero balance), although I am inclined to add that spending growth to the other parts and just show it as an overall income tax surcharge.

However, both explaining and presenting estimates of excess burden is sure to be complex and likely to be controversial since people have quite different views on the responsiveness of labor supply (and everything else) to increases in marginal tax rates. An alternative would be to just present the incremental income tax amounts or % increase in everyone's income tax who pays income tax needed to fund any higher spending estimate—either including or excluding Part A.

Not sure if the University of Maryland can help with these calculations. They do not seem like they need to be too complicated.