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How the Tax Bill Will Force States to Cut Medicaid

One of the most destructive ways the tax bill attacks health care has gotten the least attention. In addition to kicking people off coverage by repealing the individual mandate and setting the stage for huge funding cuts down the road because of the ballooning deficit, the tax bill will sap states' ability to fund vital health care programs.

Republican tax plan starves states of funding for Medicaid

The House and Senate tax plans propose reducing or eliminating taxpayers' ability to deduct state and local taxes, including property and sales taxes, on their federal tax returns. This may sound like a dull issue that impacts only wealthier people, but it is a big deal for anyone who cares about Medicaid.

If the state and local tax deduction ("SALT deduction") is eliminated or greatly reduced, it could spell big state Medicaid cuts.

The SALT deduction is an important source of revenue for Medicaid

Here's why the state and local tax deduction matters for Medicaid:

- States, counties, cities, and towns have the obligation to do a lot of things—staff schools, set up fire departments, purify water, and pay for the "non-federal" share of Medicaid, based on Medicaid's long-standing shared financing between the federal government and states/localities.
- To do all these things, states, counties, cities, and towns need money. That money comes from taxes—and state and local taxes are critical to each state's Medicaid funding.

Taking away taxpayers' ability to deduct state and local taxes on their federal return means that state and local taxes will be included in federal income and get taxed twice—at the state and the federal level. That's right—the "tax cut bill" will tax your state and local taxes.

That would be a tax hike for many—43 out of 50 states have income taxes, and almost everyone who itemizes tax returns takes the deduction. Even in states with no income tax, like Texas, getting rid of the sales and property tax deductions will hit many taxpayers.

Taxpayers hit with those higher tax bills driven by double taxation aren't going to be happy. To offset the tax increase they'll feel if the SALT deduction goes away, they are going to demand a cut in state and local taxes.

That will mean less revenue for states. That will mean less money for states to do things like pay for Medicaid. And that means Medicaid cuts.

This is just a backdoor plan to cut safety net programs like Medicaid

The Republican plan to get rid of the SALT deduction is a backdoor way to force states, particularly those with more generous Medicaid programs, into a box where they have to do less. And that's intentional. Just check out this piece by Breitbart's Senior Editor-at-Large, who envisions that ending the SALT deduction will cause wealthy voters to demand cuts in state spending.

In a tax bill that massively shifts income to the wealthy and corporations, irresponsibly raises the deficit, undermines the Affordable Care Act (ACA), and sets the stage for massive federal cuts to Medicaid, Medicare, and the ACA, getting rid of the SALT deduction is another blow against health care.

Whether your state wants to or not, if the tax bill passes, your state will probably have to cut Medicaid—along with a host of other programs people rely on.

If you care about health care, tell your members of Congress to oppose the tax bill.

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