House approves GOP bill repealing medical tax

ALAN FRAM - Associated Press - Associated Press

Scoffing at a White House veto threat, the House voted Thursday to repeal a tax on medical device makers that Republicans cast as a job-killing levy that would stifle an innovative industry.

Lawmakers approved the measure 270-146, with three-dozen Democrats from states with a heavy presence of medical equipment makers like Minnesota and Pennsylvania joining majority Republicans. Most Democrats said the bill was yet another GOP attempt to weaken President Barack Obama's health care overhaul, which created the tax to help pay for that law's expansion of health care coverage to 30 million Americans.

The election-year clash over the bill sponsored by Rep. Erik Paulsen, R-Minn., was the latest between the two parties to mix the themes of taxes, jobs, fairness and Obama's health care law as each side hunts for ways to appeal to voters.

Republicans and the medical device industry, which lobbied heavily for the bill, were hoping Thursday's vote would pressure the Senate to approve the measure. Its fate there seems bleak, with Democrats who run that chamber saying they don't intend to bring up the measure for a vote.

The 2.3 percent tax, set to take effect in January, is aimed at U.S. sales of medical devices used chiefly by doctors and hospitals, such as pacemakers and CT scan machines. Exempted are consumer items like eyeglasses and kits for many blood tests that people can perform on themselves.

Repealing the tax would cost the government $29 billion over the coming decade. To pay for that, Republicans included a provision — also opposed by Democrats — raising $44 billion by erasing limits on money the government could recover in overpayments to lower-earning people who will get insurance subsidies under the health care law.

U.S. medical device companies employ around 400,000 people and boast sales of around $130 billion annually. Citing a study financed by AdvaMed, the industry's largest trade group, Republicans said the tax would eliminate around 43,000 jobs, be especially hard on startup companies that are struggling to make a profit and eat up money that businesses could use to develop new products.

"Do we want less innovation, less entrepreneurship, less high-tech jobs and less medical breakthroughs?" said Rep. Wally Herger, R-Calif. "If you think America has too much of these things, vote 'no'" — a vote against the repeal bill.

Republicans also used the debate to take shots at the broader health care law, even as the Supreme Court prepares to rule later this month on its constitutionality.

"We should not be increasing taxes to pay for a law that a majority of Americans want repealed," House Majority Leader Eric Cantor, R-Va., said.

Democrats said the industry study was flawed and ignored the new customers they said device companies would get under the health care law's expansion of coverage. They said for an industry expected to earn $1.5 trillion in revenue over the next decade, a $29 billion tax was a small price to pay.

They also noted that AdvaMed had signed a letter in 2009 as Democrats began writing the health overhaul legislation, in which industry groups agreed that they would each bear part of the law's costs.

"Unlike what happened the previous eight years, we want to pay for things so that we don't get ourselves deeper into debt," Rep. Bill Pascrell Jr., D-N.J., said.

He was referring to the administration of former President George W. Bush, whom Democrats often lambast for massive tax cuts and two wars that were paid for with historically high federal deficits.

Democrats said the day's debate showed Republicans were more interested in making political gestures than in considering legislation that would help the weak economy. Rep. Sander Levin, D-Mich., said the GOP motives were aimed at Election Day.

"A deliberate effort, now increasingly undisguised, to close the door on action to engender job creation and economic growth before the election," Levin said. "Nov. 6 is what is driving the Republican Congress. Politics, not people."

In its veto letter, the White House complained that the tax repeal would weaken the health care law, and said raising money by boosting subsidy refunds would be a tax increase on many families and discourage many of them from getting health coverage.

The bill also included provisions letting people get refunds of up to $500 if they don't use all the money in their medical flexible spending accounts, and allowing owners of some tax-favored health savings accounts to use the funds to buy over-the-counter medications.

Those two items would have a 10-year price tag of $8 billion.

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