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TWO IMMINENT ISSUES

Dear Clients and Friends

At the time of this writing, we are facing two very important issues. The California Budget Crisis and the Federal proposed Health Care Reform.

California Budget Crisis

First, let's take a look at the California issue referred to as the "budget crisis". However, if you look deeper, you will discover that there was no "budget crisis". In fact, there exists only an "over spending" crisis. All the California legislature has to do is to slim down all sort of expenses to fit into the taxes and fees available to be collected. As long as California Government willing to set "spending" level according to "income" level, the so called "crisis" will disappear. It's that simple.

Instead of cutting back all expenses, California legislature is looking at tempering with the 1987 California Proposition 13, the Property Tax State Constitution amendment passed overwhelmingly by the voters in 1987. Since its passage, Proposition 13 stabilized the collection of property taxes, protected the vast majority of homeowners against unfair, uneven, **subjective** annual appraisal by local tax assessors throughout the state. There have been many attempts to modify and/or change Proposition 13 and none succeeded.

All together, income taxes, sales taxes, payroll taxes, property and special assessment taxes, etc., California has the highest total tax in the Union. In order to support their addiction (spending beyond means), the Legislature wants to change the current fair, stable and **objective** method of assessing property taxes to pay for their unlimited, unstoppable wrecking appetite.

Federal Proposed Health Care Reform

On the Federal side, let's look at the Obama Health Care reform. Obama said he wants to provide coverage to the 50 million uninsured American. The Congress comes up with a smorgasbord of alternatives but do not know how to pay for any of them.

During the campaign, Obama clearly said over and over again that he will not increase any tax burden for any American making \$250,000 or less and will definitely not tax the health care benefits workers received from their employers. When McCain's proposed health care method may involve an exchange of certain health care tax credit for the

current non taxable health care benefits paid for by the employers, Obama scolded at him by saying : “ For the first time in American history, he (McCain) wants to tax your health

benefits. Apparently, Senator McCain doesn’t think it’s enough that your health premium have doubled. He thinks you should have to pay taxes on them, too.” However, when he was challenged by Charlie Gibson of ABC in a White House forum which was broadcasted live on June 24, Obama flip-floped on the issue.

The most important issue regarding the Obama health care reform is not where the money comes from, is not who are going to pay for it. The most important issue is how can we balance the unlimited “universal” coverage and ever increasing costs with our limited resource – money. To this thorny issue, Obama suggested a method known as “comparative effectiveness”. “Comparative effectiveness” is a better sounding term for “rationing”. Rationing medical care means Government controlling and deciding the dispensing and delivery of medical care, not our doctors. Medical rationing means Government will decide who gets the care and who will not. Government equals to God. In short, as far as health care is concerned, Obama wants to be God.

If you like to discuss these issues further, please give us your e-mail at chochan_taxletter@yahoo.com.

Sincerely,

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