



The McCain Plan to Cut Health Insurance Company Taxes by Nearly \$2 Billion

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The centerpiece of Sen. John McCain's (R-AZ) tax plan is two huge tax cuts for American corporations, including health insurance and managed care companies that already stand to profit immensely from conservative health reforms. As president, McCain would cut the corporate tax rate from 35 percent to 25 percent and allow corporations to deduct immediately all of their investments in equipment and technology. Reducing the corporate tax rate alone would deliver a \$1.9 billion tax cut to the 10 largest health insurance and managed care companies, according to a Center for American Progress Action Fund analysis of those companies' financial statements.

McCain's Tax Proposals

Corporate tax cuts make up the largest part of the McCain tax plan.¹ His two largest tax cuts are:

- Cutting the corporate tax rate. McCain says he will cut the corporate tax rate from 35 percent to 25 percent to make U.S. corporations more competitive.
- Allow expensing of corporate investments. Under current law, corporations generally must deduct the cost of new investments over that investment's useful lifetime, a tax and accounting practice known as depreciation. McCain proposes to allow corporations to immediately write off the entire cost of investments in equipment and technology.

These corporate tax cuts are extremely expensive, costing approximately \$1.7 trillion over a decade.² Assuming that corporate taxes are ultimately borne by investors—as the U.S. Department of Treasury and the Congressional Budget Office have traditionally assumed—then the tax cuts would be very regressive as well. Approximately 59 percent of the tax cuts would go to the top 1 percent of households. Only 11 percent would go to the bottom 80 percent of households.³

The Benefit for Large Health Insurance Companies

The McCain plan would deliver approximately \$170 billion a year in tax cuts to corporations, including some corporations that are very large and profitable. Just one of the proposals—cutting the corporate rate from 35 percent to 25 percent—would cut taxes for the 10 largest U.S. health insurance companies by \$1.9 billion a year (see table).

THE MCCAIN TAX CUT FOR THE LARGEST HEALTH INSURANCE COMPANIES		
CORPORATION	U.S. TAXES IN 2007	SAVINGS UNDER THE MCCAIN PLAN
UnitedHealth Group	\$2.5 billion	\$710 million
Wellpoint	\$1.8 billion	\$510 million
Aetna	\$900 million	\$260 million
Humana	\$420 million	\$120 million
Cigna	\$460 million	\$132 million
Health Net	\$150 million	\$43 million
Coventry Health Care	\$330 million	\$94 million
WellCare Health Plans ⁴	\$76 million	\$22 million
Amerigroup	\$100 million	\$29 million
Centene	\$19 million	\$5 million
TOTAL	\$6.7 billion	\$1.9 billion

The 10 corporations analyzed—UnitedHealth Group, Inc., Wellpoint, Inc., Aetna, Inc., Humana Inc., Cigna Corp., Health Net Inc., Coventry Health Care, Inc., WellCare Health Plans Inc., Amerigroup Corp., and Centene Corp.—are the 10 largest health insurance/managed care companies as ranked by *Fortune* magazine.⁵ Together, they earned over \$12 billion worldwide in 2007.⁶

These estimates were calculated based upon information presented in the companies' most recent 10-K filings with the Securities and Exchange Commission.⁷ The 10-K forms include audited financial statements. Corporations employ different methodologies for calculating income for tax and accounting purposes. The estimates are based on the financial statement's reported current and deferred taxes paid in 2007 to the federal government for income earned from U.S. operations. The figures reported on tax returns—which are not made public—may differ.

After taking advantage of various deductions and credits, corporations pay the top tax rate on nearly all of their income. By reducing the top rate from 35 percent to 25 percent, the McCain tax proposal would reduce corporations' taxes by approximately 29 percent.

The estimates are based on 2007 figures. The actual impact of the McCain proposals will depend on corporations' future performance. The estimates do not include the impact of McCain's proposal for corporate expensing or U.S. taxes on income earned from foreign operations. Figures may not add due to rounding.

Endnotes

- 1 John McCain 2008, "McCain Tax Cut Plan," available at <http://www.johnmccain.com/Informing/Issues/0B8E4DB8-5B0C-459F-97EA-D7B542A78235.htm>, and "Economic Stimulus Plan," available at <http://www.johnmccain.com/Informing/Issues/1a8640f0-b2e3-4edb-b2a9-236df79d2579.htm>.
- 2 Robert Gordon and James Kvaal, "Five Easy Pieces and Two Trillion Dollars: The Bush-McCain-Norquist Tax Agenda," The Center for American Progress Action Fund, March 2008, available at http://www.americanprogressaction.org/issues/2008/tax_agenda.html.
- 3 Ibid. For explanation of the merits of this practice, see Reuven Avi-Yonah, "John McCain's Corporate Tax Agenda: A Critical Examination," forthcoming from the Center for American Progress Action Fund.
- 4 2006 U.S. Taxes; WellCare's 2007 10-K is to be filed late and is currently unavailable. See their NT 10-K, March 3, 2008 at <http://ir.wellcare.com/phoenix.zhtml?c=176521&p=IROL-secToc&TOC=aHR0cDovL2NjYm4uMTBrd2l6YXJkLmNvbS94bWVwY29udGVudHMueG1sP2lwYWdlPTU1MDgyODQmcmVwbz10ZW5r>.
- 5 *Fortune Magazine*, "Fortune 500: Industry: Health Care: Insurance & Managed Care," April 30, 2007, available at http://money.cnn.com/magazines/fortune/fortune500/2007/industries/Health_Care_Insurance_Managed_Care/1.html.
- 6 5 CNNMoney.com, accessed April 7, 2008, available at <http://money.cnn.com/quote/financials/financials.html?symb=UNH>, <http://money.cnn.com/quote/financials/financials.html?symb=CNC>, <http://money.cnn.com/quote/financials/financials.html?symb=AGP>, <http://money.cnn.com/quote/financials/financials.html?symb=WCG>, <http://money.cnn.com/quote/financials/financials.html?symb=CVH>, <http://money.cnn.com/quote/financials/financials.html?symb=HNT>, <http://money.cnn.com/quote/financials/financials.html?symb=CI>, <http://money.cnn.com/quote/financials/financials.html?symb=HUM>, <http://money.cnn.com/quote/financials/financials.html?symb=AET>, and <http://money.cnn.com/quote/financials/financials.html?symb=WLP>.
- 7 UnitedHealth Group, "Form 10-K: Notes to Consolidated Financial Statements," note 11, February 21, 2008, available at http://www.unitedhealthgroup.com/invest/2007/10-K_2007.pdf; Wellpoint, "Form 10-K: Notes to Consolidated Financial Statements," note 14, February 21, 2008, available at <http://ir.wellpoint.com/phoenix.zhtml?c=130104&p=irol-SECText&TEXT=aHR0cDovL2NjYm4uMTBrd2l6YXJkLmNvbS94bWVwY29udGVudHMueG1sP2lwYWdlPTU0ODg4ODMmcmVwbz10ZW5r>; Aetna, "Form 10-K: Notes to Consolidated Financial Statements," note 11, February, 29, 2008, available at <http://investor.aetna.com/phoenix.zhtml?c=110617&p=irol-sec#5461851>; Humana, "Form 10-K: Notes to Consolidated Financial Statements," note 9, February 25, 2008, available at <http://phx.corporate-ir.net/phoenix.zhtml?c=92913&p=IROL-secToc&TOC=aHR0cDovL2NjYm4uMTBrd2l6YXJkLmNvbS94bWVwY29udGVudHMueG1sP2lwYWdlPTU0ODg4ODMmcmVwbz10ZW5r>; Cigna, "Form 10-K: Notes to Consolidated Financial Statements," note 16, February 28, 2008; Health Net, "Form 10-K: Notes to Consolidated Financial Statements," note 10, February 27, 2008, available at http://library.corporate-ir.net/library/70/702/70296/items/281830/FEB_10K.pdf; Coventry Health Care, "Form 10-K: Notes to Consolidated Financial Statements," note G, February 28, 2008, available at <http://phx.corporate-ir.net/phoenix.zhtml?c=107448&p=irol-SECText&TEXT=aHR0cDovL2NjYm4uMTBrd2l6YXJkLmNvbS94bWVwY29udGVudHMueG1sP2lwYWdlPTU0ODg4ODMmcmVwbz10ZW5r>; WellCare Health Plans, "Form 10-K: Notes to Consolidated Financial Statements," note 11, February 15, 2007, available at <http://ir.wellcare.com/phoenix.zhtml?c=176521&p=irol-SECText&TEXT=aHR0cDovL2NjYm4uMTBrd2l6YXJkLmNvbS94bWVwY29udGVudHMueG1sP2lwYWdlPTU0ODg4ODMmcmVwbz10ZW5r>; Amerigroup, "Form 10-K: Notes to Consolidated Financial Statements," note 6, February 22, 2008, available at <http://phx.corporate-ir.net/phoenix.zhtml?c=122199&p=irol-SECText&TEXT=aHR0cDovL2NjYm4uMTBrd2l6YXJkLmNvbS94bWVwY29udGVudHMueG1sP2lwYWdlPTU0ODg4ODMmcmVwbz10ZW5r>; Centene, "Form 10-K: Notes to Consolidated Financial Statements," note 9, February 25, 2008, available at <http://phx.corporate-ir.net/phoenix.zhtml?c=130443&p=irol-SECText&TEXT=aHR0cDovL2NjYm4uMTBrd2l6YXJkLmNvbS94bWVwY29udGVudHMueG1sP2lwYWdlPTU0ODg4ODMmcmVwbz10ZW5r>.