



## Don't Tax Employee Health Care

Congress is considering raising taxes on working Americans to pay for repealing and replacing the Affordable Care Act. Specifically, proposals would tax health benefits provided by employers, meaning higher income taxes for millions of hard-working people. But the message from Americans is clear: Don't tax my health care.

The employer-sponsored health care system is stable, efficient, and effective in covering more than 177 million Americans -- leading to better health outcomes, lower costs, and more satisfied individuals. Employers are the foundation of a health care system that provides quality health coverage -- and this coverage should be the basis of any health care reform solution. As Congress looks to stabilize the individual market, it should avoid destabilizing the employer-sponsored system which covers ten times more Americans.

When Americans receive their health care coverage through an employer, the cost of that coverage is "excluded" from an employee's taxable income. Some lawmakers want to tax employees on the cost of their health benefits if it exceeds new thresholds that would be set by Congress. This tax on employees is called "capping the employee exclusion."

- Capping the exclusion is a direct tax increase on employees and their health care. The CBO estimated that capping the exclusion at levels just below those outlined in the *Empowering Patients First Act* would increase taxes on working Americans by an average of \$3860 per taxpayer in 2026.
- Capping the exclusion will increase health care costs for millions of Americans, increase the number of people without insurance, and result in higher deductibles and greater out-of-pocket costs for working Americans.<sup>1</sup>
- Just like the 40% "Cadillac Tax," this new tax would target people who work for employers with higher numbers of older workers, women, or those with larger families or family members with chronic or acute illnesses.<sup>2</sup>
- Employees working for employers in high-cost areas or in specific industries, such as manufacturing or law enforcement, would see the greatest tax increases.<sup>3</sup>
- Over 177 million Americans get their health insurance from their employers, and employers typically pay, on average, 82% of the cost of coverage. Taxing these benefits could undermine the core of American's health care coverage.<sup>4</sup>
- Capping the exclusion could tax even more Americans than the unpopular 40% "Cadillac Tax."<sup>5</sup>

**Don't Tax My Health Care** is a broad-based coalition comprised of patient advocates, employer organizations representing both private sector and public sector employers, consumer groups, unions, and other stakeholders that support employer-sponsored health benefits. This coverage is the backbone of our health care system and protects over 177 million Americans. The coalition opposes taxing employer-sponsored health benefits which would mean higher income taxes for millions of workers and their families. Learn more at: [www.donttaxmyhealthcare.com](http://www.donttaxmyhealthcare.com).

<sup>1</sup> CBO, "[Options for Reducing the Deficit: 2017-2026](#)"; AHPI, "[Benefits of the Tax-Preferred Status of Employer-Sponsored Health Insurance](#)."

<sup>2</sup> Mercer, "Capping the Employee Tax Exclusion for Employer Coverage: Projection of the Long-term Impact" February 2017.

<sup>3</sup> Ascende, "[Not Your Father's Cadillac: The Impact of the Cadillac Tax on the Energy Industry](#)."

<sup>4</sup> KFF/HRET, "[Employer Health Benefits 2016 Annual Survey](#)."

<sup>5</sup> CBO, "[Options for Reducing the Deficit: 2017-2026](#)."