

ALLIANCE TO FIGHT THE 40

Stop the 40% tax on health benefits



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CONGRESS: "REPEAL THE 'CADILLAC TAX' BUT NOT AT EXPENSE OF WORKING FAMILIES"

WASHINGTON— **The Alliance to Fight the 40 | Don't Tax My Health Care** today released a new analysis highlighting the negative effects of the 40% "Cadillac Tax" on health benefits. The analysis by Mercer – a leading consulting firm advising on health, wealth and career for the workforce – demonstrates the higher taxes working Americans would face under new proposals to tax employer-sponsored health benefits.

The House proposal to repeal and replace the Affordable Care Act (ACA) is very likely to include a provision to increase taxes on the health benefits workers receive through their jobs. Plans that "cap the exclusion" would, for the first time, treat health benefits as income that would be taxable to workers.

"Taxing workers' health benefits will harm the employer health insurance market that 177 million Americans rely on. New data provided by Mercer shines a spotlight on the true impact of a cap on the tax exclusion for health benefits, and the regressive nature of proposals that raise taxes on low-income workers," said James A. Klein, president of the American Benefits Council on behalf of the Alliance to Fight the 40.

"The tax is based on cost and cost is an inadequate proxy for richness of benefits. If anything, this becomes a tax on people enrolled in plans with older participants, bigger families and in geographies with higher health care costs," said Tracy Watts, Mercer's National Leader for U.S. Health Care Reform.

The Alliance to Fight the 40 | Don't Tax My Health Care is urging Congress to repeal the ACA's 40% "Cadillac Tax" on employer-sponsored coverage, without applying new taxes, since capping the exclusion could affect more working Americans than the "Cadillac Tax."

The new data highlights:

1. **Low-income families will be hit the hardest – some may face a 23% increase in tax liability (slide 10)**
2. **The majority of households will exceed the modeled cap by 2025 (slide 9)**
3. **The health status of the people covered by the plans and not just richness of the benefit could raise cost and trigger the tax (slide 7)**

A cap on employer-provided health benefits would raise taxes on low and middle income Americans—disproportionately increasing taxes on those in lower income brackets. Under certain proposals, working families making \$20,000-30,000 could face a 23 percent tax increase, while families making over \$200,000 could see a 5 percent tax increase.

In trying to identify which employer health plans would trigger the “Cadillac Tax,” the data show that the demographics of the population covered by the plan, and not just the richness of the benefits, determines whether a plan is subject to the “Cadillac Tax.” Even some high-deductible health plans and plans with low actuarial values will be taxed.

Like the “Cadillac Tax,” data show that plans with more women, older workers, and those living in high-cost areas will be hit the hardest by capping the exclusion. The plan values are only modestly higher in the plans that will hit the threshold soonest — they fall within the same ACA metal tier.

Taxing workers by placing a cap on the current tax treatment of health care coverage could be the largest income tax increase on the lowest quartile earners ever signed by an American president.

The employer-sponsored health care system is source of health insurance for more than 177 million Americans, and employers have been the leaders in holding down cost growth while still providing a benefit that is highly valued by workers and their families. As Congress looks to stabilize the individual market, it should avoid destabilizing the employer-sponsored system, which covers nearly ten times more Americans.

[SLIDE DECK](#)

The Alliance to Fight the 40 | Don't Tax My Health Care is a broad-based coalition comprised of businesses, patient advocates, employer organizations, unions, local governments, health care companies, consumer groups and other stakeholders that support employer-sponsored health coverage. This coverage is the backbone of our health care system and protects over 177 million Americans. The Alliance seeks to repeal the 40% “Cadillac Tax” on health benefits and work with Congress and the Administration to prevent increased income taxes on workers, families and retirees who rely on employer-sponsored health coverage. The Alliance is committed to ensuring that employer-sponsored coverage remains an effective and affordable option for working Americans and their families.

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