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Heller bill to repeal 40 percent ‘Cadillac tax’ critical for preservation of employer-sponsored health benefits

WASHINGTON, DC – “The American Benefits Council enthusiastically applauds Senator Dean Heller (R-NV) for his leadership in sponsoring the Middle Class Health Benefits Tax Repeal Act of 2015, legislation to repeal the so-called ‘Cadillac tax’ on health benefits,” Council President James A. Klein said today. “We also commend Senator Martin Heinrich (D-NM) and the several other Senate co-sponsors who support this bipartisan effort to protect employer-sponsored health coverage,” Klein added.

Starting in 2018, the Affordable Care Act imposes a 40 percent nondeductible tax on employer-sponsored coverage that exceeds certain thresholds: \$10,200 for employee-only and \$27,500 for family coverage.

“The policy arguments supporting the tax ignore the myriad reasons health costs are high and would hit Americans in a very inconsistent and inequitable way. This tax doesn’t just address excessively generous health plans. It also affects ordinary plans that are expensive simply because they cover people with higher-than-average health costs, like women, older and disabled workers, families with catastrophic health events and those who live in more costly areas,” Klein said.

“Moreover, the revenue estimates associated with the tax are based on faulty assumptions,” Klein said. “The Congressional Budget Office (CBO) estimates that one quarter of the projected \$87 billion revenue will come from actually imposing the tax on plans. But very few, if any, employers will pay a 40 percent non-deductible tax on top of an already very expensive health plan. They will ultimately drop coverage altogether,” Klein said.

“The rationale for the other three quarters of the revenue is equally specious. It is estimated to come from employers decreasing health care benefits and making up the difference with higher taxable wages. Employers and workers know that will not happen. So the tax revenue simply will never materialize. But if by some chance CBO is right, this will be a massive tax hike on working Americans,” Klein said.

Similar legislation introduced in the U.S. House of Representatives - [The Middle Class Health Care Tax Repeal Act \(H.R. 2050\)](#), sponsored by Rep. Joe Courtney (D-CT) and the [Ax the Tax on Middle Class Americans' Health Plans Act \(H.R. 879\)](#), sponsored by Rep. Frank Guinta (R-NH) - has already garnered more than enough bipartisan support to pass that chamber.

“Repealing the 40 percent tax, thereby preserving high-quality employer-sponsored health coverage, should and would be a bipartisan, bicameral success story. We urge Senators on both sides of the aisle to support the Middle Class Health Benefits Tax Repeal Act,” Klein said.

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The American Benefits Council is the national trade association for companies concerned about federal legislation and regulations affecting all aspects of the employee benefits system. The Council's members represent the entire spectrum of the private employee benefits community and either sponsor directly or administer retirement and health plans covering more than 100 million Americans.