

## SUPPORT REPEAL OF THE 40 PERCENT EXCISE TAX ON EMPLOYER-SPONSORED HEALTH INSURANCE

**ACTION NEEDED:** Contact your House and Senate members and urge them to support legislation to repeal the 40 percent excise tax on employer-sponsored health insurance that was included in the Patient Protection and Affordable Care Act (ACA) passed in 2010.

**BACKGROUND:** When the ACA was enacted into law in March 2010, one of the provisions included in the law was an excise tax on employer-sponsored health coverage which would take effect in 2018. The tax is levied on the aggregate amount of employer-sponsored coverage exceeding thresholds established in the law (\$10,200 for individual coverage and \$27,500 for family coverage).

NACo policy opposes the taxation of health benefits provided to county employees. County employees serve over 305 million county residents and healthcare coverage is one of the primary benefits counties use to attract and maintain a quality workforce. If the excise tax on employer-sponsored health insurance is implemented, counties will face a significant impact on their budgets and workforce.

Many counties continue to face budgetary challenges since the Great Recession. Only a small percentage of counties are back to pre-recession levels with respect to key economic indicators such as unemployment rates and median home prices. Counties have limited options to raise revenue, since many state legislatures have imposed limits on the authority of counties to raise property taxes and only a few states grant counties the ability to impose other taxes like sales and income.

Governments are generally not able to compete with private sector wages and salaries, so healthcare coverage is the primary benefit most counties use to attract and maintain a quality workforce. Counties are already preparing to deal with the excise tax now, even though it is not set to take effect until 2018. Some of the options include dramatically raising deductibles or significantly reducing benefits. Early estimates by some counties on the potential financial impact ranges from the tens of thousands to several million dollars.

In the 114<sup>th</sup> Congress, two bills have been introduced to repeal the excise tax on employer-sponsored health coverage. The first bill, introduced by Rep. Frank Guinta (R-N.H.), is H.R. 879, the “Ax the Tax on Middle Class Americans’ Health Plans Act.” It currently has over 30 cosponsors. The second, a bipartisan bill introduced by Rep. Joe Courtney (D-Conn.), is H.R. 2050, the “Middle Class Health Benefits Tax Repeal Act”, and has over 70 cosponsors. The path forward on either bill remains uncertain but support in Congress as well as among external stakeholder groups (e.g., business, employee, government) continues to grow.

The Internal Revenue Service (IRS) has released the first notice on the impending regulations that will govern the implementation of the excise tax. The first notice seeks feedback on the potential approaches the agency can use in applying the excise tax; the proposed rules are expected at a later date.

### QUICK FACTS

- **Counties provide health benefits to an estimated 2.5 million county employees and nearly 2.4 million of their dependents**
- **For health insurance premiums alone, counties spend an estimated \$20 billion to \$24 billion annually**

## KEY ISSUES:

- **Support legislative initiatives that would repeal the excise tax on employer-sponsored health insurance so that counties are not faced with additional financial burdens and can remain competitive in attracting and maintaining a quality workforce.** Counties continue to face budgetary challenges since the Great Recession and cannot afford the burden of an excise tax on one of the primary benefits offered to county employees.
- **To deal with the excise tax, counties will look to options such as dramatically raising deductibles and significantly reducing benefits.**
- **The argument that the excise tax will only affect high-end and overly-generous health plans is flawed.** Recent studies suggest that the tax will have an indiscriminate impact to a broad range of individuals and families.

*For further information, contact: Mike Belarmino at 202.942.4254 or [mbelarmino@naco.org](mailto:mbelarmino@naco.org) or Brian Bowden at 202.942.4275 or [bbowden@naco.org](mailto:bbowden@naco.org)*