

# 2019 POLICY BRIEF

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

### QUICK FACTS

- The Cadillac Tax is a 40 percent excise tax on high-value employer-sponsored health plans instituted in the Affordable Care Act (ACA) in 2010
- 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

### ACTION NEEDED:

Urge your Members of Congress to support passage of H.R. 748/S.684, the “Middle Class Health Benefits Tax Repeal Act of 2019”. This legislation would permanently repeal the 40 percent excise tax on employer-sponsored health insurance, included as part of 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. The tax is levied on the aggregate amount of employer-sponsored coverage exceeding thresholds established in the law (\$10,800 for individual coverage and \$29,100 for family coverage). After Congress repeatedly delayed this provision, the excise tax is currently set to take effect in 2022.

NACo policy opposes the taxation of health benefits provided to county employees. There are 3.6 million county employees that serve over 308 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 have continued 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 or 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 2022. 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 116th Congress, bipartisan legislation, the “Middle Class Health Benefits Tax Repeal Act of 2019,” has been introduced in both chambers to repeal the excise tax on employer-sponsored health coverage. In the House, H.R. 748 currently has 349 cosponsors with the companion legislation in the Senate (S.684) having garnered 42 cosponsors.



## KEY TALKING POINTS

- **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 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 on a broad range of individuals and families.

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