

Preserve the Tax Treatment of Employer-Sponsored Health Insurance

► BACKGROUND

Employer-Sponsored Insurance (ESI) is the most common type of health coverage in the United States, with more than 177 million Americans depending on it. The cost of employer-sponsored coverage is not treated as taxable income or wages to the employee. Some in Congress want to tax employees on the cost of their health care benefits. The Affordable Care Act also included an assault on these employer-sponsored plans by adopting the “Cadillac Tax,” a 40 percent excise tax on health plans exceeding \$10,000 for an individual and \$27,500 for a family. Efforts to repeal the tax in 2015 established a veto-proof majority of support in the House of Representatives and a powerful vote in the Senate with 90 Senators supporting full repeal. The 114th Congress delayed the tax until 2020.

► THE ISSUE

Imposing a tax on employer-sponsored health plans is a dangerous policy experiment that could significantly erode employer-sponsored health coverage. Any cap on the tax exclusion is a direct tax on employees and the middle class. According to the American Health Policy Institute, capping the tax exclusion will increase the burden of the tax, which will ultimately fall on a significant number of hardworking employees and their families.

Average Employee Cost Per Year	2020 to 2026
Capping the Tax Exclusion at 90%	\$520
Eliminating the Tax Exclusion in 2020	\$5,263
Current Cadillac Tax	\$636

Supporters of taxing benefits claim they need the funds to offset the Congressional Budget Office's purported \$87 billion price tag for repealing the Cadillac Tax. That figure was based on a presumption that companies would increase taxable wages as they decrease benefits to avoid the tax. But data shows that's actually not the case, and Congress should not undermine ESI by adding a tax to compensate for the repeal of the Cadillac Tax.

Any cap on the current tax treatment of ESI will erode health benefits for tens of millions of Americans. According to the EBRI, in 2013, 80 percent of Americans said that it was “very” or “extremely important” to them that their employer offers benefits. The individual market has seen premium increases of up to 85 percent in some states, while the ESI market has remained stable with some states seeing increases of only about 5 percent. This juxtaposition demonstrates that the ESI market is working. Congress should not attempt to fix a market that isn't broken.

► OUR POSITION

The Council of Insurance Agents & Brokers urges Congress to preserve the tax treatment of employer-sponsored health insurance and oppose any assault to the current tax treatment. **It would be a cruel hoax on the American public if replacement of the Affordable Care Act is a measure that now taxes their health benefits. We need to stabilize the individual marketplace and not destabilize the employer-sponsored system that covers more than half of all Americans.**

Further, The Council strongly supports a full repeal of the Cadillac Tax and urges co-sponsorship of the S.58/H.R. 178 repeal legislation introduced in the Senate by Sens. Dean Heller (R-NV) and Martin Heinrich (D-NM), and in the House by Reps. Mike Kelly (R-PA) and Joe Courtney (D-CT).