

ALLIANCE TO FIGHT THE 40

Stop the 40% tax on health benefits

What is the Cadillac Tax?

The “Cadillac Tax” is a 40% non-deductible excise tax on the value of employer-sponsored health coverage that exceeds certain benefit thresholds – initially, \$10,200 for self-only coverage and \$27,500 for family coverage in 2018. While the name may imply the 40% tax applies to a few individuals with luxury or overly generous health coverage, the truth is it extends much further. 175 million Americans – including retirees, low- and moderate-income families, public sector employees, small businesses and the self-employed – currently depend on employer-sponsored health coverage and they are all at risk.

- **The 40% tax will impact ALL Americans with employer-sponsored health coverage.** Because the tax is indexed to the consumer price index, which is lower than health care inflation, every year an increasing number of health plans will be subject to the tax. In fact, [82 percent of employers](#) expect their plans will be affected by the tax within the first five years of implementation.
- **The 40% tax penalizes employers for many factors that are out of their control.** The tax unfairly targets employers that have a higher number of workers with chronic or serious diseases or those with larger families. Employers with locations in high-cost areas or in specific industries, such as manufacturing or law enforcement, are also unequally affected by the 40% tax.
- **The 40% tax applies not only to what the employers pay for their employees’ health coverage, but also to the contributions by employees themselves.** The tax applies to a number of benefits that help control costs including on-site medical clinics, certain wellness and employee assistance plans, health savings account contributions, health reimbursement arrangements, flexible spending accounts, and other pre-tax health benefits. This will cause many plans to hit the tax threshold earlier than expected.
- **The 40% tax must be repealed now.** Employers are already cutting benefits and changing plans to avoid the tax. A [recent study](#) found employers are already increasing deductibles and implementing other cost-sharing programs right now, in 2015, to avoid being on a trajectory to trigger the tax when it goes into effect in 2018.
- **A bipartisan majority in Congress supports repealing the 40% tax.** 272 Members of the House and 32 Senators have co-sponsored bipartisan legislation to repeal the tax.

The Alliance to Fight the 40 is a broad-based coalition comprised of public and private sector employer organizations, unions, patient advocates, health care companies, businesses and other stakeholders that support employer-sponsored health coverage. This coverage is the backbone of our health care system and protects over 175 million Americans across the United States. The Alliance seeks to repeal the 40% tax on employee health benefits to ensure that employer-sponsored coverage remains an effective and affordable option for working Americans and their families.

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