

ALLIANCE TO FIGHT THE 40

Stop the 40% tax on health benefits

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EMPLOYER AND EMPLOYEE GROUP LETTER URGES CONGRESS TO REPEAL 40 PERCENT TAX ON HEALTH BENEFITS

WASHINGTON— A letter sent today from the Alliance to Fight the 40 urged members of Congress to recognize the negative impact of the so-called “Cadillac tax” on the working families with whom they are meeting during the August recess. Congress must then return to Washington and repeal the tax.

[The letter](#) describes the serious consequences of the tax and includes an addendum with links to numerous studies supporting those concerns.

A strongly bi-partisan group of nearly half the members of the House of Representatives have co-sponsored bills authored by Rep. Frank Guinta (H.R. 879) and Rep. Joe Courtney (H.R. 2050) to repeal the tax. The Alliance’s letter urged House members to join that effort, and an identical letter to all Senators urged them to pursue a similar bi-partisan effort.

The Affordable Care Act’s (ACA) “Cadillac tax” is a 40 percent non-deductible tax on the cost of employer-sponsored health coverage that exceeds certain thresholds. The Alliance’s letter notes that “While Congress’ original intent was to target only a small number of ‘overly rich’ plans, nonpartisan analyses reveal that it will hit modest health plans that are expensive simply because they are offered in high-cost areas; or because they cover large numbers of people whose health costs are typically higher than average -- women, older and disabled workers, and families experiencing catastrophic health events.”

The 40 percent tax applies to plans sponsored by both private sector and public sector employers, non-profit organizations and even self-employed individuals. Consequently, the Alliance to Fight the 40 is a broad-based and diverse coalition of employer and employee groups.

Remarkably, even the Office of Personnel Management – the Federal government’s own human resources department – recognizes the serious negative implications of the tax. In its official comment letter to the U.S. Department of Treasury and Internal Revenue Service, it warns that the “tax will most likely require a reduction in [federal employee health] benefits and elimination of other benefit programs. This will impact the lives of current enrollees and will affect the ability of agencies to recruit and retain a world class workforce.”

The Alliance’s letter directly takes on the assertion that repealing the tax would be costly because of the \$87 billion (over 10 years) the tax is projected to raise. The letter points out that both assumptions underlying that score are seriously flawed. One quarter of that revenue is estimated to come from

employers paying the tax. But the Alliance notes “many employers will be compelled to drop coverage altogether rather than pay a 40 percent non-deductible tax on top of an already expensive plan.” Three quarters of the revenue is based on the assumption that employers will replace health benefits with taxable wages. But as the letter recognizes, “it is economic theory, not hard evidence, supporting the claim that employers will make up lowered health benefits with higher wages.”

The letter concludes by noting the urgency to repeal the tax before it is too late to avoid its harsh consequences.

About the Alliance to Fight the 40: Stop the 40% Tax on Health Benefits

The Alliance to Fight the 40 is a broad based coalition comprised of public and private sector employer organizations, unions, 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 150 million Americans across the United States. The Alliance seeks to repeal the 40 percent tax on employee health benefits to ensure that employer-sponsored coverage remains an effective and affordable option for working Americans and their families.

For more information on the 40 Percent Tax on Health Benefits, visit our website at fightthe40.com or follow us on Twitter [@Fightthe40](https://twitter.com/Fightthe40).

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