

ALLIANCE TO FIGHT THE 40

Stop the 40% tax on health benefits

What is the Cadillac Tax?

The “Cadillac Tax” is a 40% tax on the value of employer-sponsored health coverage that exceeds certain benefit thresholds – estimated to be \$10,800 for self-only coverage and \$29,100 for family coverage in 2020. While the name may imply the 40% tax applies to a few individuals with “luxury” health coverage, the truth is it extends much further. More than 175 million Americans – including retirees, low- and moderate-income families, public sector employees, small business owners and the self-employed – currently depend on employer-sponsored health coverage.

- **The “Cadillac Tax” will force businesses to provide health plans with fewer benefits and higher deductibles.** Americans already feel their health care is too expensive and out of pocket costs are skyrocketing. With the looming “Cadillac Tax,” workers will pay even more out of pocket for health services.
- **The “Cadillac 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 “Cadillac 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 “Cadillac 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THE “CADILLAC TAX” MUST BE REPEALED NOW

The Alliance to Fight the 40 is a broad based coalition comprised of public and private sector employer organizations, consumer groups, patient advocates, 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 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.