

July 22, 2019

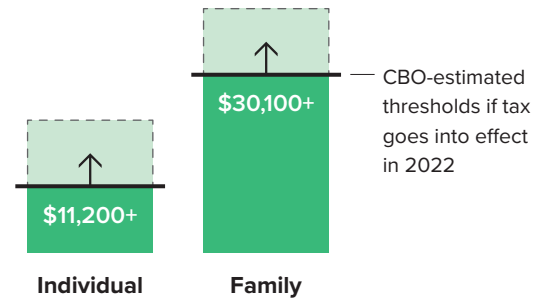
Congress looks to jettison ‘Cadillac tax,’ at \$201B cost

The House voted 419 to 6 to repeal the excise tax on high-cost employer-sponsored health coverage, colloquially referred to as the “Cadillac tax,” on July 17. The Congressional Budget Office estimates repealing the tax through the House measure would reduce revenue by \$201 billion from 2019 to 2029. The tax was intended to help cover the costs associated with the Affordable Care Act, but it has never come into effect and has been delayed multiple times. If repeal fails, the tax would go into effect in 2022.

Tax applies to above-threshold value of employer plans

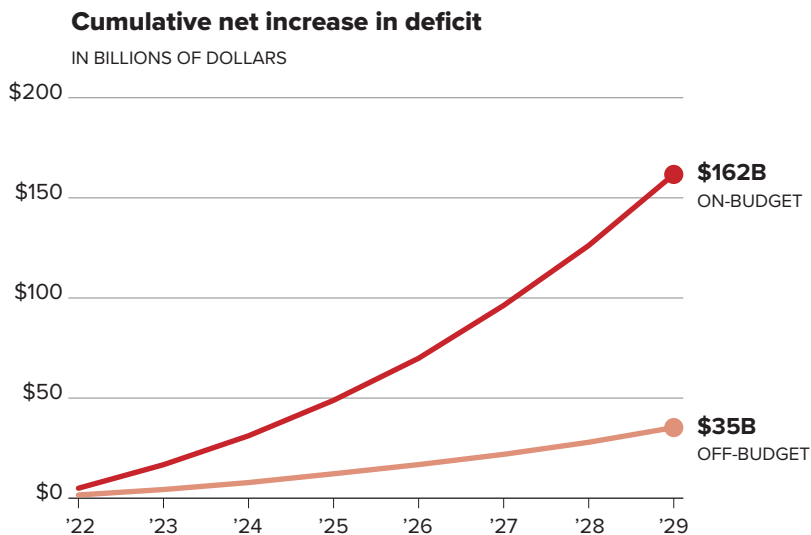
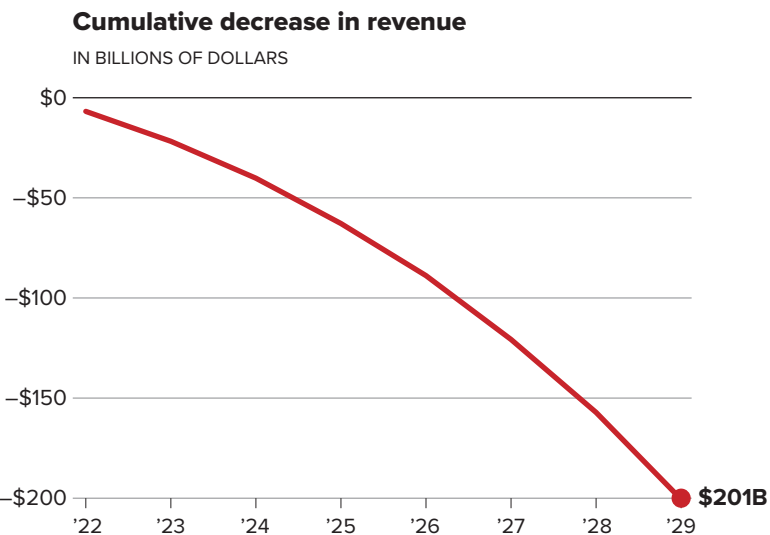
The 40 percent tax would apply to employer-sponsored health plans whose value exceeds a certain threshold. CBO estimates that in 2022, the thresholds would be \$11,200 for individual coverage and \$30,100 for family coverage. Although the tax would be levied on insurers, it is expected the burden would fall on workers, via lower wages or lower-cost health plans, according to the Tax Policy Center. However, economists also acknowledge the tax would have benefits.

“The first [benefit] is to raise revenue to help pay for ACA, including its health exchange subsidies and the expansion of Medicaid,” wrote Howard Gleckman, senior fellow at the Tax Policy Center, in a blog post. “The second is to reduce incentives for excessive health spending.”



Repealing the tax would lead to \$201 billion in lost revenue by 2029

CBO’s cost estimate of H.R. 748, the measure repealing the excise tax, shows it would reduce revenue by \$201 billion from 2019 to 2029, and would result in a net deficit increase of \$197 billion over the same time period.



CBO estimates for three options to repeal and replace the excise tax

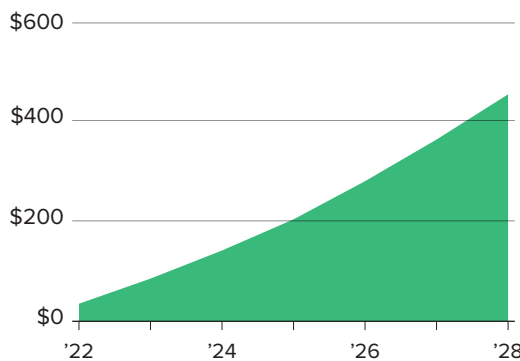
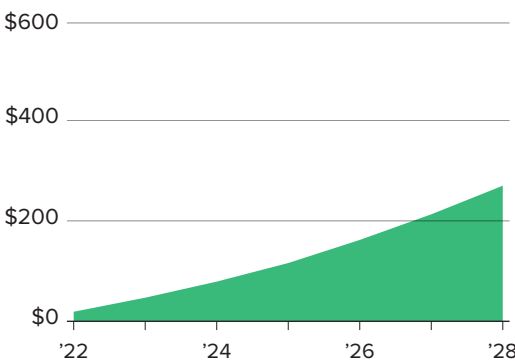
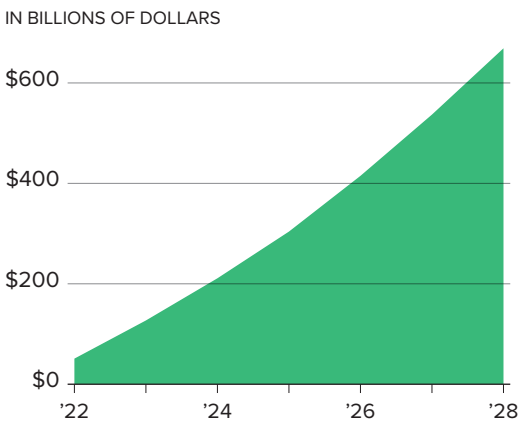
CBO detailed three options for repealing the excise tax and replacing it in 2022 with limits on income or payroll tax exclusions, or both. Of the three options, a limit on these exclusions, set at the 50th percentile of premiums, would raise the most revenue — \$670 billion — from 2022 to 2028, and would reduce the deficit by \$637 billion over the same time period.

1 A limit on the income **and** payroll tax exclusions for employment-based health insurance set at the **50th percentile of premiums**

2 A limit on the income **and** payroll tax exclusions for employment-based health insurance set at the **75th percentile of premiums**

3 A limit on **only the income tax exclusion** for employment-based health insurance set at the **50th percentile of premiums**

CBO projections for cumulative increase in revenue



Sources: CBO, Tax Foundation, Tax Policy Center, POLITICO Pro reports

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