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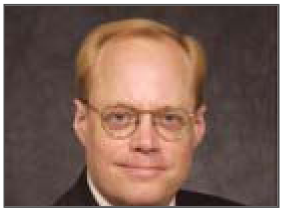

Robert W. Wood

THE TAX LAWYER

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Hillary Backs Cadillac Tax Repeal

In a bold move, Hillary Clinton is siding with Bernie Sanders and Republicans to repeal the Cadillac tax. The alliance may be unspoken, and she puts her own spin on it, supporting Obamacare, but just targeting this single tax. "Too many Americans are struggling to meet the cost of rising deductibles and drug prices," she said. Obamacare's 40% Cadillac tax is on high-priced health plans provided by employers.

Mrs. Clinton distances herself from Mr. Obama with this move and allies herself with unions at the same time. A good example could be the National Education Association, with a report about the tax. But the dollars are big. The Congressional Budget Office estimates that the tax should generate $5 billion in revenue in 2018 alone. That take goes up to a whopping $34 billion by 2024. Yet increasingly, there appears to be wide agreement that companies right and left are seeking to avoid the bite of the Cadillac tax. A survey by the International Foundation of Employee Benefit Plans reveals that 62% of companies facing a 40% Cadillac tax hit in 2018 are *already* changing their coverage to avoid it.

Conversely, only 2.5% of companies say they will pay it. How do you avoid it? Change to higher deductible plans, reduce benefits, shift more costs to employees, or even drop high-cost plans altogether. This marketplace reaction is fueling the bonfire. If no one pays it, how else will we pay for Obamacare? Bernie Sanders predictably wants to tax the wealthy.

The IRS has released guidance setting out approaches to the excise tax. Like all of Obamacare, the Cadillac tax is enormously complex and nuanced. It now looks likely to apply to more people and to more plans. It targets plans that are overly generous employer-provided health care plans. It mostly appears to hit union plans. Unions often negotiate for rich benefits and may be willing to take lower cash wages as a trade-off. Unions that have negotiated for generous health benefits may now wish they hadn't.

The Cadillac tax puts forceful pressure on employers to offer less-generous health insurance plans. It imposes a 40% tax on the cost of individual health plans above $10,200 for individuals and $27,500 for family coverage. In evaluating these thresholds, both employer and worker contributions are included. The tax applies to every dollar above those thresholds. Each dollar is taxed at a 40% rate, and the tax is not deductible.

A reasonable response to the Cadillac tax is likely to be cutting health insurance. Recent surveys suggest that is exactly what is occurring. Why would employers offer generous health insurance that triggers a 40% excise tax they must pay and cannot deduct? American taxpayers face higher costs for employees, higher deductibles, and other add-ons that will harm employees. In that sense, Hillary's position is clearly a savvy one.

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