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Trump Will Repeal Obamacare 40% Cadillac Tax, Other Taxes Too

The Cadillac tax is perhaps the signature tax of Obamacare. Long before Donald Trump blew past rivals in the Republican Primary and took an unexpected path to victory in the general election, the Cadillac tax seemed doomed. Even the Democratic Party [platform calls for end to the Cadillac tax](#). Of course, the Republicans have been saying it for years. As the Presidential campaign progressed, even Secretary Clinton agreed. Curiously, a *single* sentence on page 35 of [the 2016 Democratic Party Platform says](#):

6 We will repeal the excise tax on high-cost health insurance and find revenue to offset it because we need to contain the long-term growth of health care costs, but should not risk passing on too much of the burden to workers.”



Viewed from 2010, the Cadillac tax was supposed to rake in huge dollars to help pay for Obamacare. The Cadillac tax is a 40% tax on the cost of employer-sponsored health coverage exceeding certain thresholds: \$10,800 for self-only coverage, and \$29,100 for family coverage. The cost of wellness programs, on-site clinics and other plan features meant to reduce expenses are also

included. Vast number of participants in numerous employer-sponsored plans will be affected. There have been multiple bills to repeal it. But now that there is a Republican Senate, House and President, its fate seems sealed.

The larger question is about Obamacare in general, and its plethora of taxes. Many consider Obamacare a health care law, but with its [many](#) taxes, the Supreme Court upheld it as a tax law. The [Cadillac tax](#) is 40% on top of all other federal taxes. Obamacare was passed in 2010, but the Cadillac tax was deferred until 2018. The clever delayed effective date made it easier for Americans to swallow. Later, Congress rolled it back two more years, to 2020. That delayed—and delayed again—effective date de-emphasized its importance. It was *supposed* to target *overly generous* employer-provided health care plans, but that does not mean just CEOs.

Unions often negotiate for rich benefits, but may now wish they hadn't. The Cadillac tax puts pressure on employers to offer less-generous health insurance plans. In evaluating the thresholds, both employer and worker contributions are included. The tax applies to every dollar above those thresholds. Like a cliff, the dollars are taxed at a 40% rate, and the tax is not even tax deductible by the employer. The Cadillac tax was supposed to put direct pressure on employers to offer less-generous health insurance plans.

The tax is projected to collect \$80 billion by 2023. However, many excise tax figures turn out not to be incorrect. Indeed, excise taxes are often enacted to discourage particular behavior. A reasonable response to the Cadillac tax is likely to be cutting of health insurance. Why would employers offer generous health insurance that triggers a 40% excise tax that isn't even tax deductible! The result is likely to higher costs for employees, higher deductibles, and other add-ons.

The ironically named 'Affordable Care Act' may get even less affordable. Of course, there are also many other Obamacare taxes, including these:

1. 3% Tax on Medical Device Manufacturers (after multiple repeal efforts, this one is currently on hold, doesn't hit you directly, but indirectly it sure can).
2. 3.8% Net Investment Income Tax. This one is a big one. Depending on your income, it adds a 3.8% tax on top of your interest, dividends and capital gains.
3. Employer Mandate on business with over 50 full-time equivalent employees to provide health insurance to full-time employees. \$2,000 per employee, \$3,000 if employee uses tax credits to buy insurance on the exchange.

4. Medical Deduction Threshold tax increase (threshold to deduct medical expenses as an itemized deduction increases to 10% from 7.5%).
5. [Individual Mandate](#) (a tax for not purchasing insurance, though the tax penalty is called a [Shared Responsibility Payment](#), the greater of 2.5% of your income above the filing threshold of \$10,300 for singles and \$20,600 for married couples filing jointly or \$695 per adult (\$347.50 per child), with a maximum of \$2,085 for a family, whichever is higher).
6. Excise Tax on Charitable Hospitals which fail to comply with the requirements of Obamacare.
7. Elimination of tax deduction for employer-provided retirement Rx drug coverage in coordination with Medicare Part D.
8. Medicare Part A Tax increase of 0.9% over \$200k/\$250k.
9. An annual \$63 fee levied by Obamacare on all plans (decreased each year until 2017 when pre-existing conditions are eliminated) to help pay for insurance companies covering the costs of high-risk pools.
10. Medicine Cabinet Tax (over the counter medicines no longer qualify as medical expenses for flexible spending accounts (FSAs), health reimbursement arrangements (HRAs), health savings accounts (HSAs), and Archer Medical Saving accounts (MSAs)).
11. Additional Tax on HSA/MSA Distributions.
12. HSAs or MSAs, penalties for non-qualified medical expenses of 10% to 20% in the case of a HSA and from 15% to 20% for an MSA.

Check out this [full list of taxes provisions from the IRS](#) relating to the Affordable Care Act, plus the [joint tax committee](#).

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.