SABC FLEXNews

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CADILLAC TAX ON BENEFITS

In 2013, we sent out a FLEXNews covering all the many taxes imposed under the Affordable Care Act (ACA). One of the taxes covered, was the Cadillac Tax, which begins in 2018. Because so many taxes and changes were thrown at everyone, most people worried about the requirements and deadlines that were forthcoming, and did not pay much attention to what was going to happen five (5) years down the road.

Before we know it, one of the **worst** taxes included in the ACA will be imposed. To refresh your memory, beginning January 1, 2018, there will be a 40% tax on annual premiums that exceeds a defined threshold for single and family coverages. The threshold for single coverage is $10,200 and $27,500 for family coverage in 2018.

What must be included in the annual premiums? Total cost of health Insurance; The easiest way to determine the total cost of the insurance (employer and employee cost) is to look at your COBRA premium and add that yearly premium along with any other pre-taxed medical supplement and/or specific disease policies purchased by the employee. In addition, if you have an HRA, the yearly employer contributions must be added to the total. Also, yearly HSA employee contributions that are run through the Cafeteria Plan, plus any amounts the employer contributes, must also be added. Participants in an FSA (Unreimbursed Medical) must also add their yearly contributions to the overall total. Other items are; separate wellness benefits, and/or onsite medical clinics. As you can see, you can get to $10,200 pretty quickly, and you won't feel like you are driving a Cadillac.

Who is responsible for paying this tax? The regulations require for fully insured plans, the insurance company will be responsible, and self-funded plans the employer will be responsible. Ultimately, the cost will be shifted to the employee.

In running the numbers, it appears that most plans will be okay for 2018, but will have to start worrying as the price of healthcare cost increase.

If this law is not changed or repealed, what will it mean? Most importantly, everyone will pay even more for their healthcare and they might not be able to pretax their premiums, or participate in flexible spending, because that may bring them over the threshold. That would mean on a $650 monthly health premium, the employees paycheck will decline by about $200 per month.

What is the current thinking in Washington? The good news is that there are folks on both sides of the isle that want this repealed. They understand that for many, the price of healthcare has soared under these new regulations and that there is nothing affordable about the Affordable Care Act. This tax will further burden the 50% of the population that are paying the bills and it is not sustainable in the long term.

What can we do? First and foremost, you should contact your Representatives in Washington, and let them know how this will affect your family, employees and healthcare in general. The more we can flood their offices with calls, letters and emails, the better our chances of repealing this huge tax on benefits. We have list their email addresses below:

HOUSE OF REPRESENTATIVES

Gregg Harper	202-225-5031	http://harper.house.gov/contact-gregg/email-gregg
Trent Kelly	202-225-4306	http://trentkellyforms.house.gov/contact/
Steven Palazzo	202-225-5772	http://palazzo.house.gov/contact/
Benny Thompson	202-225-5876	https://forms.house.gov/benniethompson/contact-form.shtml

SENATE

Thad Cochran	202-224-5054	www.cochran.senate.gov/public/index.cfm/email-me
Roger Wicker	202-224-6253	www.wicker.senate.gov/public/index.cfm/contact