



January 28, 2019

Support the Repeal of ObamaCare's Cadillac Tax, H.R. 748

On behalf of our activist community, I urge you to contact your representative and ask him or her to cosponsor legislation to repeal ObamaCare's "Cadillac tax," H.R. 748. Introduced by Rep. Joe Courtney (D-Ct.) and Mike Kelly (R-Pa.), the legislation would repeal the 40 percent excise tax that will eventually impact most employer-sponsored health insurance plans.

Passed as part of the Health Care and Education Reconciliation Act of 2010, the 40 percent excise tax on high-end employer-sponsored health insurance plans, commonly called the "Cadillac tax," was originally set to take effect in 2018, hitting plans that cost \$10,200 or more for an individual and \$27,500 or more for a family. Indexed to the Consumer Price Index, more employer-sponsored health insurance plans would be subject to the Cadillac tax, eventually impacting the vast majority of plans. This would force employers to offer less generous benefits for employees.

Realizing the unpopularity of the Cadillac tax, however, Congress has twice delayed it, so it has not yet taken effect. The Consolidated Appropriations Act for FY 2016 delayed the Cadillac tax until 2020 and made the excise tax deductible. The continuing resolution passed by Congress in January 2018 further delayed the tax until 2022.

The Cadillac tax was intended to drive people into the ObamaCare exchanges on the nongroup market. This would have necessarily boosted enrollment numbers as employers, who were responsible for paying the tax, cut back health insurance benefits or ceased offering health insurance benefits. Employers are able to deduct health insurance premiums paid for employees, which amounts to an approximately \$300 billion annual tax subsidy, according to the Congressional Budget Office.

The architect of ObamaCare, Jonathan Gruber, said in a March 2011 speech that the Cadillac tax was designed to undermine the employer-sponsored health insurance subsidy. "[T]he only way we could get rid of it was first by mislabeling it, calling it a tax on insurance plans rather than a tax on people, and we all know it's really a tax on people who hold those insurance plans," said

Gruber. “And the second way was to start it late -- start it in 2018. But, by starting it late, we were able to tie the cap for the Cadillac tax to the [Consumer Price Index], not medical inflation.”

“What that means is the tax, which starts by taxing only 8 percent of the insurance plans, essentially amounts over the next 20 years basically getting rid of the exclusion for employer-provided health insurance. This was the only political way we were ever going to take on what is one of the worst public policies in America,” he added.

Congress has twice delayed the Cadillac tax because of its unpopularity. Rather than continuing to delay the Cadillac tax, Congress should repeal it, once and for all. The next legislative goal should be to encourage portability and allow Americans to purchase health insurance that can be taken with them from job to job, much like a 401(k). For these reasons, I urge you to contact your representative and ask him or her to cosponsor the legislation to repeal ObamaCare’s “Cadillac tax,” H.R. 748.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Brandon". The signature is stylized with a long horizontal stroke at the beginning and a large, sweeping flourish at the end.

Adam Brandon
President, FreedomWorks