



# Taxing Health Benefits = A Middle Class Tax Increase

The U.S. Senate will soon vote on legislation that would tax CWA-negotiated employer health plans. The tax will be passed directly onto working families. To avoid the tax, employers will try to significantly cut benefits for *active workers* and *pre-Medicare retirees*.

## How the Health Benefits Tax Works

- A 40% excise tax would be assessed on the value of health care plans exceeding \$23,000 for a family and \$8,500 for an individual starting in 2013. (Levels are higher for pre-Medicare retiree plans and high-risk industry plans – \$26,000 and \$9,850.)
- These “thresholds” would increase at the rate of general inflation (CPI-U) plus one percentage point, or 3%. This is well below the medical inflation rate (4%) and about half the rate (6%) at which employer and union plan costs have been increasing.

## Health Benefits Tax Will Hit CWA-negotiated Plans Hard and Result in Deep Cuts

In 40 of 43 states examined (see reverse side), over 10 years (2013-2022) the average excise taxes assessed on *each worker* in CWA’s most popular plans will be:

- \$13,300 per active worker in the family plan
- \$5,800 per active single worker
- \$13,600 per pre-Medicare retiree (aged 55 to 64) in the family plan
- \$4,300 per pre-Medicare retiree in the single plan

## Health Benefits Tax Discriminates Against Older Workers, Those in More Hazardous Jobs and Workers from More Costly Regions of the Country

- CWA negotiated health plans are not “Cadillac Plans,” offering “excessive” benefits. They are roughly comparable to other plans, but provide for more limited cost sharing.
- An older workforce drives up CWA plan costs. Moreover, many blue-collar jobs are more dangerous and more harmful to one’s health, which result in higher health costs.
- Many plans are in high-cost regions, which our plans have no control over.

## Taxing Health Benefits is a Political Disaster

- In three recent national polls, by nearly 2-1 margins Americans opposed placing a tax on higher-cost private health plans in order to pay for health reform.<sup>1</sup>
- Health care was a deciding factor for many voters in 2008 and taxing health benefits was the clear dividing line between candidates Obama and McCain.

## Fund Reform by Requiring Employers to Provide Coverage and by Taxing the Wealthy

The Senate excise tax on health benefits will raise about \$150 billion over 10 years. There are far better ways to pay for health care reform than to tax the middle class. Legislation approved by the House of Representatives (H.R. 3962) would require most employers to provide coverage, raising \$135 billion, according to the Congressional Budget Office. And the wealthy are asked to pay their fair share too, with a surcharge on the top 0.3% of taxpayers that raises \$460 billion.

<sup>1</sup> The Washington Post, 10/15-10/18, 2009; USA Today/Gallup, 10/16-10/19, 2009; Associated Press, 10/29-11/08, 2009.

## Excise Tax Owed Per Worker Over 10 Years on CWA Negotiated Health Care Plans Under Senate Bill (Most Popular Plan in Each State -- Nov. 24, 2009)

Total Excise Tax From 2013-2022 with Threshold increasing at CPI +1%	Family Coverage Active Workers	Single Coverage Active Workers	Family Coverage Pre-Medicare Retirees	Single Coverage Pre-Medicare Retirees
<b>Alaska</b>	<b>\$6,065</b>	<b>\$2,536</b>	<b>\$956</b>	<b>\$0</b>
Arizona	\$6,065	\$2,536	\$956	\$0
Arkansas	\$8,051	\$6,985	\$0	\$0
California	\$5,881	\$5,753	\$0	\$0
Colorado	\$6,065	\$2,536	\$956	\$0
<b>Connecticut</b>	<b>\$4,420</b>	<b>\$4,449</b>	<b>\$0</b>	<b>\$0</b>
<b>Delaware</b>	<b>\$13,625</b>	<b>\$4,162</b>	<b>\$28,296</b>	<b>\$3,832</b>
<b>Florida</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Hawaii	\$5,881	\$5,753	\$0	\$0
Idaho	\$6,065	\$2,536	\$956	\$0
<b>Illinois</b>	<b>\$1,199</b>	<b>\$2,550</b>	<b>\$0</b>	<b>\$0</b>
<b>Indiana</b>	<b>\$1,199</b>	<b>\$2,550</b>	<b>\$0</b>	<b>\$0</b>
Iowa	\$6,065	\$2,536	\$956	\$0
Louisiana	\$0	\$0	\$0	\$0
<b>Maine</b>	<b>\$49,195</b>	<b>\$16,621</b>	<b>\$34,148</b>	<b>\$4,596</b>
Maryland	\$14,424	\$4,322	\$31,050	\$3,872
<b>Massachusetts</b>	<b>\$49,195</b>	<b>\$16,621</b>	<b>\$34,148</b>	<b>\$4,596</b>
Michigan	\$1,199	\$2,550	\$0	\$0
<b>Minnesota</b>	<b>\$6,065</b>	<b>\$2,536</b>	<b>\$956</b>	<b>\$0</b>
Missouri	\$8,051	\$6,985	\$0	\$0
Montana	\$6,065	\$2,536	\$956	\$0
Nebraska	\$6,065	\$2,536	\$956	\$0
Nevada	\$5,881	\$5,753	\$0	\$0
<b>New Hampshire</b>	<b>\$49,195</b>	<b>\$16,621</b>	<b>\$34,148</b>	<b>\$4,596</b>
<b>New Jersey</b>	<b>\$16,217</b>	<b>\$8,969</b>	<b>\$223</b>	<b>\$0</b>
New Mexico	\$6,065	\$2,536	\$956	\$0
<b>New York</b>	<b>\$49,195</b>	<b>\$16,621</b>	<b>\$34,148</b>	<b>\$4,596</b>
North Carolina	\$0	\$0	\$0	\$0
North Dakota	\$6,065	\$2,536	\$956	\$0
Ohio	\$1,199	\$2,550	\$0	\$0
Oklahoma	\$8,051	\$6,985	\$0	\$0
Oregon	\$6,065	\$2,536	\$956	\$0
<b>Pennsylvania</b>	<b>\$13,625</b>	<b>\$4,162</b>	<b>\$28,296</b>	<b>\$3,832</b>
<b>Rhode Island</b>	<b>\$49,195</b>	<b>\$16,621</b>	<b>\$34,148</b>	<b>\$4,596</b>
South Dakota	\$6,065	\$2,536	\$956	\$0
Texas	\$8,051	\$6,985	\$0	\$0
Utah	\$6,065	\$2,536	\$956	\$0
<b>Vermont</b>	<b>\$49,195</b>	<b>\$16,621</b>	<b>\$34,148</b>	<b>\$4,596</b>
Virginia	\$14,425	\$4,322	\$31,050	\$3,872
<b>Washington</b>	<b>\$6,065</b>	<b>\$2,536</b>	<b>\$956</b>	<b>\$0</b>
<b>West Virginia</b>	<b>\$13,625</b>	<b>\$4,162</b>	<b>\$28,296</b>	<b>\$3,832</b>
<b>Wisconsin</b>	<b>\$1,199</b>	<b>\$2,550</b>	<b>\$0</b>	<b>\$0</b>
<b>Wyoming</b>	<b>\$6,065</b>	<b>\$2,536</b>	<b>\$956</b>	<b>\$0</b>
<b>Average for plans paying tax</b>	<b>\$13,309</b>	<b>\$5,757</b>	<b>\$13,572</b>	<b>\$4,256</b>

Source: Communications Workers of America Research Department

**High-cost transition states.** The threshold is adjusted upwards in 2013 (20%), 2014 (10%), and 2015 (5%) for states in bold.

**2013-2022 Tax Impact** is based on a \$23,000 threshold for active worker family plan, \$8,500 for single active worker plan, \$26,000 for family pre-Medicare retiree plan and \$9,850 for single pre-Medicare retiree plan. The threshold is adjusted by CPI plus 1 percentage point. Estimate for 2013-2019 from Congressional Budget Office, "Long Term Budget Outlook Update (August 2009)." CPI-U of 2% is assumed for 2020-2022, the same rate as in 2017-2019. The mean CPI-U over 10 years (2013-2022) is 1.8%, plus 1 percentage point, or a 2.8% rate.

**The cost estimate** for each state includes the cost of the most popular health care plan and dental and vision coverage at \$425 for single plans and \$1,019 for family plans per year, except in New Jersey where \$370 for single and \$1,053 for family were used. The 2009 COBRA rate for plan costs is trended forward at 5.5% per year based on Watson Wyatt estimate for employer plans, which is well below the current cost growth.