March 4, 2015

The Honorable Frank Guinta  
U.S. House of Representatives  
Washington, DC  20515

Dear Representative Guinta:

The U.S. Chamber of Commerce, the world’s largest business federation representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations, and dedicated to promoting, protecting, and defending America’s free enterprise system, thanks you for introducing H.R. 879, the “Ax the Tax on Middle Class Americans’ Health Plans Act,” which would repeal the 40 percent excise tax imposed on high-value, employer-sponsored health insurance benefits. Even though this burdensome provision of the Patient Protection and Affordable Care Act (ACA) does not take effect until 2018, businesses are already having to restructure their benefits to avoid this costly tax.

Since more than half of Americans receive their health benefits through their employers, the 40 percent excise tax will have widespread effects on both employers and employees alike. For plan years beginning after December 31, 2017, this non-deductible tax applies to benefits exceeding certain thresholds. The thresholds are $10,200 for self-only coverage and $27,500 for coverage other than self-only, and are indexed to the Consumer Price Index (CPI), not health care cost inflation. This tax will apply to both fully-insured and self-insured employer plans. Because of how the tax is structured, almost half of large employers are expected to be subject to the 40 percent excise tax in 2018. By 2023, the percentage of large employers to be hit by the tax is expected to rise to 82 percent.1

For employers already working to comply with a myriad of new taxes, penalties, and mandates, the cost of the 40 percent excise tax will leave many businesses with few options. Accordingly, the cumulative effect of these new taxes and fees is hindered economic growth and job creation. For both fully-insured and self-insured plans, much of the cost will have to be passed on directly to plan participants in the form of increased contributions and premiums.

The Chamber opposed the 40 percent excise tax prior to passage of the ACA and maintains that a sustainable health care system must reinforce the strengths of the employer-

sponsored health care system instead of imposing mandates, new taxes and penalties, and limiting flexibility. The Chamber thanks you for your leadership in highlighting the negative effects of the 40 percent excise tax on the American public and for introducing H.R. 879, the “Ax the Tax on Middle Class Americans’ Health Plans Act.” The Chamber strongly supports repeal of the 40 percent excise tax and will remain engaged as the U.S. Department of the Treasury and Internal Revenue Service continue to promulgate regulatory guidance on this issue.

Sincerely,

R. Bruce Josten