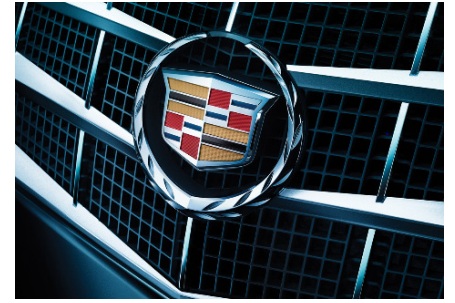


ACA - The Cadillac Tax • May, 2015



Under Construction: This special 40% excise tax that will be levied upon high-cost health coverage as of 2018 is still being worked on by the IRS, as well as being debated on the political front. Even though we won't know what will finally be included in the calculation of health coverage, we can at least look at where the tax rules stand as of today.

The Cadillac Tax

One of the taxes levied by the Affordable Healthcare Act (or as others call it, Obama-care or Health Reform) will affect employers on January 1, 2018. This imposes a 40% excise tax on "healthcare" provided to employees that exceed specific dollar amounts annually.

This tax will apply to all employers, regardless of size, or whether they are offering fully insured or self-funded coverage. Data currently indicates that about 30% of all employers will be required to pay this tax in 2018, if current benefit levels are maintained. This will rise to 50% of employers by 2022, again, if current benefit levels are continued.

The Dividing Line

In 2018, employers who offer benefits costing more than \$10,200 for single coverage and/or more than \$27,500 for non-single coverage will be hit with this tax. These numbers are not yet set in stone, since there is a provision in the law that allows the IRS to adjust this figure the first year (2018). Thereafter, it will increase with the Cost of Living.

In addition, the levels an employer is subject to may be higher if any of the following apply. (However, the applicable increases to the non-taxed thresholds have not yet been provided by the IRS.)

- The age/gender makeup of the group varies from national averages
- There are retirees covered under the plan
- Employees are in a high-risk occupation
- Employees are employed to install or repair electrical or telecommunication lines.

Who Calculates and Pays

Employers will be tasked with calculating the tax due. This process has yet to be determined by the IRS....more to come.

What Is Included

When totaling the amount of benefits provided to employees, you will need to include:

- Medical coverage total premiums - all pre- and post-tax employer and employee payments
- Health FSA contributions – all contributions by both employer and employee (all are pre-tax)
- HSA contributions - **all** pre- and post-tax employer contributions and **only** pre-tax employee contributions
- Specified disease or illness insurance - **all** pre- and post-tax employer contributions and **only** pre-tax employee contributions

What Is NOT Included

At this time, it appears that the following will not be included in the benefits calculation:

- Accident and disability plans
- Worker's comp
- General liability
- Long term care
- Fully insured vision and dental plans that are separate from the medical contract
- Employee post-tax HSA contributions
- Employee post-tax specified disease or illness coverage

What MIGHT Be Included

Although the IRS is leaning toward including all of these in the cost of "healthcare" for employers, they are currently in a grey area:

- Self-funded dental and vision coverage
- Employee Assistance Plans
- Health Reimbursement Arrangements



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