



International Association of Machinists & Aerospace Workers

IAM Supports Repealing the 40% Excise Tax H.R. 2050

Position: The Patient Protection and Affordable Care Act has been a controversial law for many, but the IAM's main concern has always been a 40% excise tax that is scheduled to be imposed in 2018 on all employer-provided health care plans that exceed certain coverage costs. Under the current ACA law, healthcare plans that exceed individual coverage costs of \$10,200 and family coverage costs of more than \$27,500 will be levied by the 40% excise tax. IAM members must tell Congress to amend the Internal Revenue Code of 1986 and repeal the excise tax on high cost employer-sponsored health coverage and urge them to co-sponsor H.R. 2050, a bill by Rep. Joe Courtney (D-CT) that will repeal the tax. The IAM strongly supports H.R. 2050 and repealing the 40% excise tax act.

The excise tax is commonly known as the “Cadillac” tax and it will be imposed on high-cost health care plans. Many of the health insurance benefits the IAM negotiates fall into this category and will be subjected to this tax beginning in 2018. As a result, many employers are lowering the value of their health plans to avoid paying the 40% excise tax.

It is a myth to believe that employers lowering their health coverage plans will pass that money onto workers. In fact, IAM negotiators at the table now are seeing lower benefits but not increased wages. Some employers are already planning on increasing out-of-pocket limits, co-pays and deductibles just to cover the costs of paying the 40% excise tax.

We believe that it is important for Congress to proactively pass legislation this year, rather than passively wait until just before the effective date of the excise tax, to counteract its harmful effects. Over time, continued medical inflation, an aging workforce, new medical technologies and drug therapies, together with the ACA's benefit mandates, will make it more difficult for employers to provide affordable health care benefits to employees, and the unstoppable increase in health care costs will eventually cause employer-sponsored plans to fall under the tax. This common-sense, bipartisan bill is supported by the business community as well as by labor unions, and will prevent the ACA's unintended consequences of placing an unfair burden on businesses and working-class families from going into effect.

We urge Congress not to miss this opportunity to address a serious problem with the ACA, and enact legislation to repeal the excise tax. To become a co-sponsor of H.R. 2050, please contact Neil McKiernan (neil.mckiernan@mail.house.gov) in Congressman Courtney's office at 225-2076.