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Congress Enacts 2-Year Delay of Cadillac Tax

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On December 18, President Obama signed bipartisan legislation for a year-end spending and tax package. As part of the package, Congress enacted a two-year delay of the ACA Excise Tax (“Cadillac Plan Tax”) provision. As such, the tax now goes into effect after December 31, 2019 (and not after December 31, 2017 as currently scheduled). This is welcomed news for employers who are currently looking at mechanisms to mitigate this potential tax burden.

The Cadillac Plan tax is a 40% non-deductible excise tax on the value of health insurance coverage that exceeds \$10,200 for self-only coverage and \$27,500 for coverage other than self-only (e.g., family coverage).

The legislation made the following additional ACA-related changes:

- Permits a tax deduction of any Cadillac Plan tax assessment (whereas the original version of the law did not permit a tax deduction);
- Authorizes a study of the age and gender adjustment benchmarks related to the Cadillac Plan tax;
- Suspends the medical device excise tax for two years and the annual fee on health insurance providers (the Health Insurer Tax) for one-year; and
- Extends parity between mass transit and parking benefits under Code section 132(f).