

Cadillac Tax Delayed

By Emily Tonkovich

Last month the President passed a bill to delay the Cadillac tax by two years.

What's the Cadillac Tax?

The Cadillac Tax is an excise tax equal to 40% of the cost of an employer-sponsored health plan that exceeds a predetermined "threshold amount." The threshold amounts were set at \$10,200 annually for single coverage and \$27,000 annually for family coverage. The Cadillac Tax was originally scheduled to begin in 2018.

What's Changed?

The Cadillac Tax is now scheduled to begin in 2020. New threshold amounts will be indexed for inflation and will be higher than the original threshold amounts. Additionally, the amount employers pay towards the tax will now be tax deductible.

The bill also calls for a study on how to determine adjustments to the threshold amounts to account for age and gender differences. Further, the delay will allow the IRS more time to develop regulations.

The delay is generally considered good news as many insurers and employers were concerned about the tax's potential administrative and financial burden.

What's Next?

Employers should keep the possibility of a Cadillac Tax in mind as they select plans and during union/contract negotiations.

Your BRSi Advisor will continue to monitor for updates related to the Cadillac Tax and will keep you informed.

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Benefit Review Services, Inc.
43370 Mound Road
Sterling Heights, MI 48314
586.997.1700
www.brsibenefits.com

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