

# Cadillac Tax Delayed and Health Insurance Tax Suspended

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## The Cadillac Tax:

### What is The Cadillac Tax?

The Cadillac Tax has been delayed until 2022. The Cadillac Tax is a 40% excise tax on "high cost" health plans. The purposes of the tax are to encourage employers to offer lower-cost plans, help finance the ACA, discourage employers from overspending on health plans, and discourage employees from overusing services in high cost plans.

### How is the Cadillac Tax calculated?

The Cadillac Tax is equal to 40% of the cost of the plan that exceeds a predetermined "annual threshold amount". Currently, threshold amounts are set at \$10,200 for single coverage and \$27,500 for family coverage. Thresholds will also be adjusted for those working in; high risk professions, employed to repair, install electrical or telecommunication lines, and for employers whose costs are higher due to their age and gender demographics. Current thresholds will be indexed for inflation and therefore will be higher by the 2022 effective date.

### How does the Cadillac Tax impact employers?

The Cadillac Tax was previously delayed until 2020, therefore it has not had any impact on employers. Employers should keep the Cadillac Tax in mind between now and 2022. Although an employer's current plan may not exceed the threshold amount, it could by 2022.

## The Health Insurance Tax:

### What is the Health Insurance Tax (HIT)?

The Health Insurance Tax (HIT) is suspended for calendar year 2019. HIT is an annual fee that employers with fully insured health plans must pay. The tax was created to help fund the ACA, federal and state marketplace exchanges.

### How will the Health Insurance Tax be calculated?

HIT is calculated through a complex formula and the fee will be different for each insurance provider. HIT will equal 1-4% of the premium. The fee will either be built into the base rate of the premium or will be a separate line item on the employer's invoice.

### How does HIT impact employers?

HIT was first implemented in 2014 and was included in the premium through 2016. HIT was then suspended for 2017, but reinstated for 2018. HIT will therefore be required in the 2018 premium. However, the HIT has again been suspended for 2019 and will not be included in the 2019 premium.

## Questions?

If you have any questions regarding these taxes or their delays, please contact your Benefit Advisor at BRSi.

*Disclaimer: This Compliance Alert is for informational purposes only and is not intended to be legal or tax advice. Please consult with legal counsel or a tax attorney for further guidance.*

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