DECEMBER 23, 2015

Congress Delivers on Campaign Promise

The 40% excise tax on high cost health plans, often referred to as the “Cadillac Tax,” has been delayed for two years. President Obama signed the Consolidated Appropriations Act of 2016, which contains the following provisions relating to the Cadillac Tax:

- Delays the tax from 2018 to 2020.
- Amends Code Section 4980I(f) to provide that the tax is deductible by employers, which is welcome news for any employer that may become subject to the tax.
- Increases the annual limits of $10,200 and $27,500 by cost of living indexes. This means the annual limits that will be in effect for 2020 will be higher.
- Requires studies and recommendations regarding the benchmarks for the age and gender adjustments of the applicable dollar limit.

Many have said that the two-year delay is only a stop gap measure before repealing the Cadillac Tax altogether. However, any such attempt would likely not occur until after the Presidential election.