



AMERICAN BENEFITS  
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## NEWS RELEASE

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### *Council analysis of recent studies:* **Effort to tax employee health benefits driven by economic myths**

WASHINGTON, DC - "All indications are that health care 'repeal-and-replace' will, for the first time, tax health coverage provided to employees," American Benefits Council President James A. Klein said today. "Unfortunately many of the arguments made by supporters of a new tax on workers are based on faulty assumptions."

"More than 177 million Americans rely on workplace health coverage. Taxing these benefits would not only erode coverage and undermine recent progress in managing costs, it also could unintentionally result in higher health care spending in the long run," Klein said.

Under current law and since World War II, the amount an employer provides to an employee for health benefits, as well as the contribution the employee makes, is excluded from the employee's wages for purposes of both payroll and income taxes. This is the "employee tax exclusion." Many repeal-and-replace proposals limit or "cap" the value of employees' health insurance that can be excluded from taxation.

A new paper released today by the Council, [Taxing Employer-Sponsored Health Benefits: Myths and Realities](#), describes the economic foundation for the successful employer-sponsored health benefit system and identifies six pervasive misperceptions often used to justify a cap on the health tax exclusion.

*MYTH: Capping the employee tax exclusion would provide revenue for other initiatives.*

**REALITY: At whatever level a cap would be set, long-term revenue increases would only be about half the projected amount.**

*MYTH: Generous benefits are the main contributor to the high cost of health plans.*

**REALITY: Very few differences in the cost of health insurance premiums are explained by the generosity of the benefits in employer-sponsored plans.**

*MYTH: Capping the tax exclusion will reduce health care costs.*

**REALITY: Overall health care expenditures are not particularly sensitive to cost, especially among higher-income groups.**

*MYTH: The financial impact of capping the employee tax exclusion will fall mostly on people with high incomes.*

**REALITY: When viewed in terms of the share of income or current tax liability, the burden would fall disproportionately on the middle class.**

*MYTH: Only a few large employers that provide overly generous health benefits would be affected by the cap.*

**REALITY: Within a few years, any type of cap on the exclusion would affect the majority of employer plan sponsors.**

*MYTH: Limiting the value of the tax exclusion is the only way to control costs and create a more efficient system of health care financing.*

**REALITY: Capping the employee tax exclusion will undermine employer-sponsored coverage and the many ways that employers engage with workers to incentivize more effective use of health benefits.**

“We call on Congress and the Trump Administration to reject such proposals and work with employers to develop and encourage real solutions to health care costs, coverage and quality,” Klein said.

For more information on health policy matters, or to arrange an interview with Klein, contact Jason Hammersla, Council senior director of communications, at [jhammersla@abcstaff.org](mailto:jhammersla@abcstaff.org) or by phone at 202-289-6700 (office) or (202) 422-4652 (cell).

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*The American Benefits Council is the national trade association for companies concerned about federal legislation and regulations affecting all aspects of the employee benefits system. The Council's members represent the entire spectrum of the private employee benefits community and either sponsor directly or administer retirement and health plans covering more than 100 million Americans.*