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NEWS RELEASE

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Council applauds preservation of retirement savings incentives in tax reform framework

Urges continued protection of employer-sponsored benefits as process advances

WASHINGTON, DC - "The tax reform outline unveiled today offers encouragement to workplace retirement plan sponsors and savers," American Benefits Council Senior Vice President, Global Retirement and Compensation Policy, Lynn Dudley, said upon the release of Republicans' framework for tax reform.

"As the hard work of tax reform continues, we urge Congressional leaders to stay true to their stated goal 'to maintain or raise retirement plan participation of workers and the resources available for retirement.'"

Despite these positive indications, the Council remains concerned that lawmakers will seek to alter the tax incentives for employee benefit plans later in the process, as the need for federal revenue offsets becomes more acute.

"We should be wary of so-called 'Rothification' efforts that would change some or all retirement savings from a pre-tax benefit to an after-tax contribution," Dudley said. "Not only is this short-sighted - effectively forgoing future revenue to pay for present-day spending - it is also a dangerous experiment that could have seriously negative effects on individuals' savings behavior."

While not directly referenced in the GOP framework, the Council also intends to use the opportunity presented by tax reform to advance a number of key health policy priorities.

“Tax reform is the ideal vehicle for repeal of the Affordable Care Act’s 40 percent ‘Cadillac Tax’ on employer-sponsored health coverage,” said Katy Spangler, senior vice president, health policy. “If tax reform is to support middle-class families, it must do away with this flawed tax that hits the middle class hardest by dramatically increasing out-of-pocket costs for medical care.”

The Council also cautions against replacing the “Cadillac Tax” with a cap on the exclusion people receive for employer-sponsored coverage. “This tax benefit supports the most stable element of our nation’s health insurance system at a fraction of the cost of public programs. Instead of eroding employer coverage, we should strengthen it by expanding health savings accounts and supporting efforts to make preventive care more affordable,” Spangler said.

“Throughout the Council’s 50-year history, thoughtful tax policy has supported workplace health and retirement benefit plans that now cover hundreds of millions of Americans. We urge lawmakers to weigh the impact of any changes very carefully, lest they impede all the great progress we have made so far,” Dudley concluded.

For more information on retirement policy matters, or to arrange an interview with Dudley or Spangler, contact Jason Hammersla, Council senior director of communications, at 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.