HEADS UP:

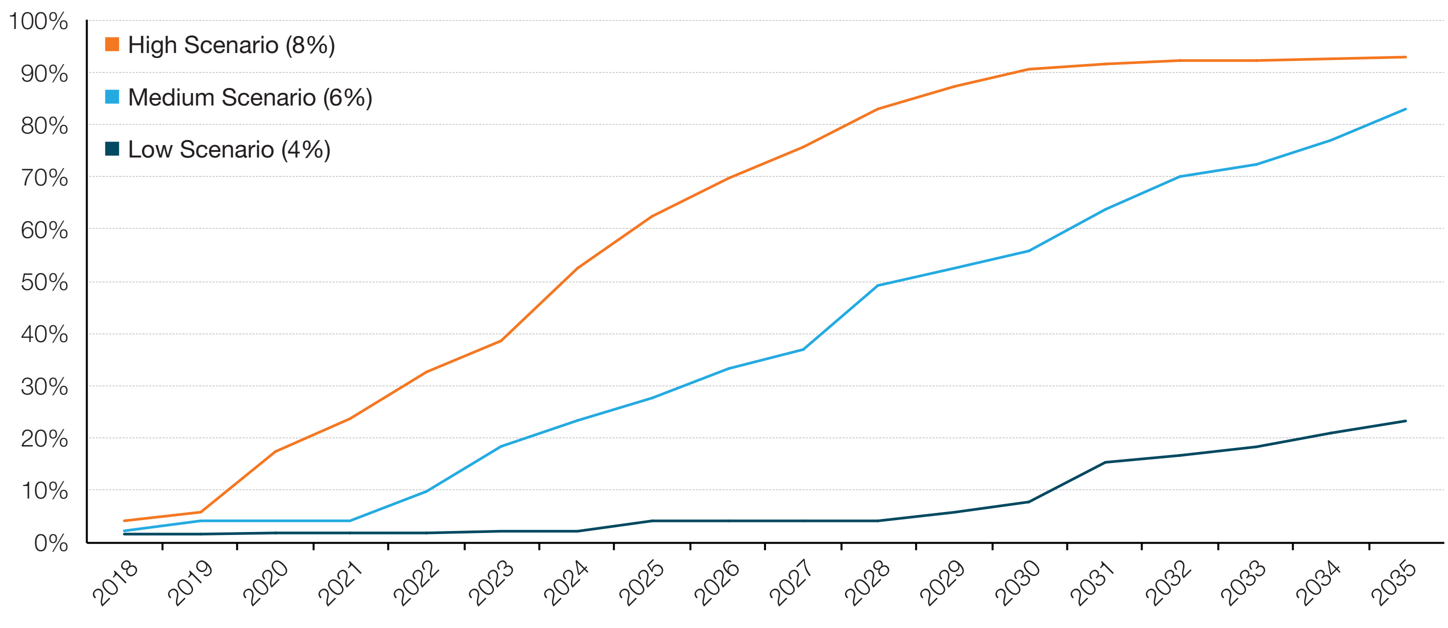
A Tax on Employee Benefits Is Coming Your Way

The Affordable Care Act implemented a tax on employee health care benefits that is set to go into effect in January 2018. A new study commissioned by the National Association of Manufacturers (NAM), titled *Heads Up: A Tax on Employee Benefits Is Coming Your Way*, takes a close look at the economic impact of this 40 percent tax on health benefits under several scenarios. While intended to target high-end insurance plans, this tax will hit the middle class as well as employers across the board.

The tax, also known as the "Cadillac tax," will have the following impacts:

- The accelerating nature of the tax will prompt many employers to continually increase cost sharing and/or eliminate benefits. On-site clinics, on-site pharmacies, wellness programs, flexible spending accounts and health savings accounts could all be in jeopardy.
- If health insurance premium prices increase moderately, the tax would hit between almost 30 percent of manufacturers' plans by 2025 and more than 80 percent by 2035. If they increase at a higher rate, the employee benefits tax would affect 60 percent of plans in the manufacturing sector by 2025 and virtually all plans by 2035.
- Virtually all employers would end up facing the tax at some point.
- Job losses from the tax could total 2.6 million by 2035, and real personal income in 2014 dollars would be reduced by almost $3,800 per household.
- The economic tax burden would reduce GDP by 1.7 percent by 2035.

Possible Impacts of the Employee Benefits Tax on Manufacturers' Health Plans



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