

Patient Protection and Affordable Care Act

The Truth About Taxing Health Benefits

Myth: You will have to pay taxes on the cost of your health care plan.

False. While your health care benefits will begin to show up on your W-2 as a separate entry in January 2012, the cost of your health plan will not be computed into your income. You, personally, will not have to pay income taxes on the value of your health care plan.

Myth: A 40% excise tax will be placed on the full value of your health.

False. While the newly enacted Patient Protection and Affordable Care Act imposes a 40% excise tax on insurers of employer-sponsored health plans, *the tax only applies on the value of the health care benefits that exceeds the threshold and not on the full value of your health plan.* This threshold is \$10,200 for individual health plans and \$27,500 for family health plans. For example, if your individual health plan is \$11,200, the 40% tax only applies to the \$1,000 that exceeds the \$10,200 threshold. Your insurer would be responsible for paying the \$400 tax. The provision does not go into effect until 2018. Furthermore, higher thresholds are set for certain health plans that cover retirees, enroll many older workers, employ workers in high-risk occupations such as firefighting and mining, or workers in high-cost states. The excise tax on excess health care benefits is designed to raise revenue to help expand coverage to Americans who are uninsured.

Myth: Affected individuals will be responsible for paying the amount of the excise tax if their health care plan exceeds the threshold.

False. Individuals with affected health plans will not pay the excise tax; instead, it is anticipated that their employers will modify health plans to stay within the thresholds to avoid the excise tax. Employers may convert the resulting savings into higher wages or other fringe benefits for their employees, and, as a result, affected workers will qualify for higher Social Security payments when they retire.

Myth: Many Americans will be affected by this excise tax, as their health plans exceed the thresholds of \$10,200 for individual health plans and \$27,500 for family health plans.

False. A Kaiser Family Foundation study showed that in 2009, the average employee's individual health plan costs \$4,824 a year, while the average family health plan costs \$13,375 a year. The majority of Americans' health plans do not even meet these thresholds and their health plans will not be affected by the 40% excise tax. For more information, please visit: <http://bit.ly/d42R6H>.

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