

January 2018

## ACA Taxes Delayed and Suspended

The following Affordable Care Act (“ACA”) taxes have been impacted as part of the January 22, 2018 Continuing Resolution (“CR”) that provides funds for the federal government (following a brief shutdown) through February 8, 2018:

### Cadillac Tax Delayed Until 2022

The Cadillac Tax imposes a 40% deductible excise tax on employer-sponsored health benefits in excess of certain annual thresholds. Originally scheduled to become effective in 2018, the imposition of the Cadillac Tax has been delayed until 2022. Under the ACA, the 2018 annual thresholds have been set at \$10,200 (self-only coverage) and \$27,500 (other coverage) and are required to increase with inflation, thereafter.

Under the recently enacted *Tax Cuts and Jobs Act*, several inflation-adjusted benefit limits such as the Cadillac Tax thresholds, will use a different inflationary measure (Chained CPI) that increases at a slower rate than under the original statute. This change may cause more employer plans to fall subject to the ACA Cadillac Tax beginning in 2022. The use of any CPI as the Cadillac Tax inflation adjustment parameter has been criticized as this index is considerably lower than historic and anticipated medical trend.

### Health Insurance Tax Suspended for 2019

Beginning in 2014, the ACA began imposing a tax on health insurance providers who must pay a portion of the aggregate fee contained in the law to help cover the cost of the ACA. The annual fee started at \$8 billion in 2014 and increased to \$14.3 billion in 2018. The fee of \$13.9 billion was suspended for 2017, reinstated for 2018 (causing premiums to increase approximately 3% to cover the tax) and will once again be suspended for 2019. This fee does not impact self-funded group health plans.

### Medical Device Tax Suspended for 2018 and 2019

Beginning January 1, 2013, manufacturers and importers of medical devices have been subject to a 2.3% excise tax on the sale of certain medical devices; a tax that undoubtedly is passed along to consumers in the form of higher prices. This tax was suspended for 2016 and 2017 and reinstated for 2018 however; the Continuing Resolution continues to suspend this tax for 2018 and 2019.

#### ADDITIONAL INFORMATION

Information contained in this Client Alert is not intended to render tax or legal advice. Employers should consult with qualified legal and/or tax counsel for guidance with respect to matters of law, tax and related regulation. Cherry Bekaert Benefits Consulting, LLC provides comprehensive consulting and administrative services with respect to all forms of employee benefits, risk management, qualified and non-qualified retirement plans, private client services, transaction services, and compensation and human resources.

**For additional information about our services, please contact Kyle Frigon at 404-733-3256 or via email at: [kfrigon@cherrybekaertbenefits.com](mailto:kfrigon@cherrybekaertbenefits.com).**