

Alert

Cadillac Tax Officially Delayed to 2020

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Late last week, President Barack Obama signed a year-end spending package that includes a two-year delay of the “Cadillac Tax,” which was originally set to take effect Jan. 1, 2018, to Jan. 1, 2020. Once the tax is effective, certain high-cost, or “Cadillac,” health plans will be assessed a 40-percent non-deductible excise tax on the value of health coverage that exceeds \$10,200 for self-only coverage and \$27,500 for other-than-self-only coverage, indexed for inflation. In addition, any coverage provided under a multiemployer plan is treated as other-than-self-only coverage. As a result, pending future guidance, multiemployer plans need to measure the cost of coverage only as compared to the higher dollar threshold when determining whether they will be subject to the Cadillac Tax in 2020.

Plans Subject to Cadillac Tax	Plans Exempt from Cadillac Tax
Health FSAs	Accident-only coverage
Archer MSAs	Disability-only coverage
HSAs	Liability insurance
Governmental plans	Workers’ compensation
On-site medical clinics	Automobile insurance
Retiree plans	Credit-only insurance
Multiemployer plans	Coverage for long-term care
Coverage for specified diseases or illness	Stand-alone dental or vision coverage
Fixed indemnity insurance if the cost of coverage is excludable from gross income	Fixed indemnity insurance if the cost of coverage is not excludable from gross income

The delay is part of the \$1.1-trillion spending bill that also includes a provision to suspend the tax on medical devices and the one-year tax on private health insurance that is set to take effect on Jan. 1, 2017. The delay of the Cadillac Tax to Jan. 1, 2020 is expected to cost the government an estimated \$9 billion. The delay comes swiftly on the heels of congressional efforts to repeal the tax altogether. These efforts were vetoed by the Obama administration, which promised to continue to veto any further efforts by Congress to repeal the tax in its entirety.

We will continue to monitor developments on the status of the Cadillac Tax. For additional information, or if you would like assistance with implementing any of the requirements and recommendations under the Patient Protection and Affordable Care Act or preparing participant communications, amendments or other plan materials, please contact your Schulte Roth & Zabel attorney or one of the following authors: [Mark E. Brossman](#), [Ian L. Levin](#), [Susan E. Bernstein](#) and [Melissa J. Sandak](#).

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