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The "Cadillac" Tax and the Income Tax Exclusion for Employer-Sponsored Insurance

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Key Findings

- The Patient Protection and Affordable Care Act (PPACA) imposed an excise tax on high-cost employer-sponsored health coverage. This "Cadillac" tax was established to help pay for the PPACA's provisions and to reduce health-care costs by limiting the income tax exclusion for employer-sponsored insurance. The tax has been delayed on several occasions but is currently scheduled to be enacted in 2022.

- The Cadillac tax would require coverage providers to pay a 40 percent excise tax levied on "excess benefits," or the value of health insurance benefits surpassing approximately $11,200 for individuals and $30,150 for families in 2022.

- The tax would encourage employers to reduce the value of health benefits provided to employees to avoid the tax. Instead, employers would provide more compensation in the form of wages that would be taxed by the payroll and income taxes.

- By placing a functional cap on the income tax's exclusion for employer-sponsored insurance, the Cadillac tax would reduce demand for high-cost health insurance plans, reduce the quantity and price of health-care services, and generate revenue from mostly higher-income taxpayers.

- Congress continues to debate delaying or repealing the Cadillac tax. Ideally, Congress would allow the tax to go into effect.

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Introduction

The Patient Protection and Affordable Care Act (PPACA) imposed an excise tax on high-cost employer-sponsored health coverage. Known as the "Cadillac" tax, this tax was established to help pay for the PPACA's provisions and to reduce health-care costs by limiting the income tax exclusion for employer-sponsored insurance (ESI exclusion). The Cadillac tax levies a 40 percent excise tax on "excess benefits," meaning, the value of health insurance benefits surpassing certain dollar thresholds for both individuals and families. The tax was supposed to take effect in 2018 but has been delayed twice and is currently scheduled to be enacted in 2022.

Employer-paid health insurance premiums are excluded from an employee's gross income even though employers can deduct these payments as business expenses.[1] This ESI exclusion is our tax code's largest tax expenditure, reducing federal revenue by almost $3 trillion between 2019-2028.[2] The ESI exclusion, because it subsidizes the purchase of health insurance, has contributed to overconsumption of health-care services and rising health-care costs. However, the ESI exclusion also helps to support employer-based health insurance, which provided health insurance to more than 150 million nonelderly people in 2018.[3]

This analysis provides an overview of the Cadillac tax and how it functionally caps the ESI exclusion. The tax would encourage employers to reduce the value of the health benefits provided to their employees to avoid the tax, and instead increase wages that would be taxed by the payroll and income taxes. For the employers that would keep high-cost health insurance plans, these plans would become more expensive, the cost borne by employees in the form of lower wages.

The Cadillac tax is a progressive tax, meaning its burden would increase with a taxpayer's income, and it would reduce incentives to overconsume health-care services. Implementing the Cadillac tax in 2022 would increase revenue in a progressive way and control health insurance costs.

The tax is not a perfect elimination of the ESI exclusion, but it is a reasonable approach to limiting its impact. Policymakers should allow the tax to take effect.

The Mechanics of the Cadillac Tax

The Cadillac tax is an excise tax of 40 percent levied on the "excess benefit" of "applicable employer-sponsored health coverage." In 2018, excess benefit would have meant the value of applicable employer-sponsored coverage surpassing $10,200 for individuals and $27,500 for families, including health-care coverage premiums as well as contributions made to health-related tax-advantaged accounts, such as health savings accounts and flexible spending accounts. The tax would provide

1 See, "130. Exclusion of employer contributions for medical insurance premiums and medical care" in U.S. Department of the Treasury, "Tax Expenditures," Oct. 19, 2018, 17, https://home.treasury.gov/system/files/131/Tax-Expenditures-FY2020.pdf. The Cadillac tax also applies to other kinds of health-care spending, such as contributions to health-related, tax-advantaged accounts like health savings accounts (HSA), that can be deducted from adjusted gross income by individuals and excluded from income and payroll taxes by employers. For an explanation of this, see "132. Medical Savings Accounts and Health Savings Accounts," in "Tax Expenditures," 17. For a list of other types of health-care spending that is taxed by the Cadillac tax, see "Table 1. Applicable Coverage," in Annie L. Mach, "Excise Tax on High-Cost Employer-Sponsored Health Coverage: In Brief," Congressional Research Service, March 24, 2016, 3, https://fas.org/sgp/crs/misc/R44147.pdf.

2 Ibid., 25.

3 Kaiser Family Foundation, "2018 Employer Health Benefits Survey," Oct. 3, 2018, 9, https://www.kff.org/report-section/2018-employer-health-benefits-survey-summary-of-findings/#figurea.

higher thresholds for plans covering older retirees, people in certain high-risk professions, and people with age and gender characteristics that differ significantly from the national workforce. The tax is levied generally on "coverage providers" who pay the tax with respect to an employee, though a coverage provider can be either a health insurance company issuing an employer-sponsored plan or, in some cases, the employer. In either circumstance, the employer is responsible for calculating taxes owed for each employee.[4]

One of the objectives of the Cadillac tax is to place a functional limit on the ESI exclusion, limiting the incentive for employers to provide health insurance benefits instead of taxable wages, and ultimately, increase health insurance costs.

However, to understand the true impact of the Cadillac tax on employer and employees' decision-making, you have to convert the Cadillac tax's rate from *tax-exclusive* to *tax-inclusive* and compare it to the average marginal tax rate on labor income. Looking at the Cadillac tax's rate on a tax-inclusive basis shows that the tax would make wages a more attractive form of compensation than high-cost health benefits.

The Cadillac tax's 40 percent rate, like most excise taxes, is tax-exclusive. This means the rate is levied on a tax base that does not include the tax paid. In other words, if there were $100 in excess benefits, the Cadillac tax would take $40, yielding a 40 percent rate ($40/$100). But this same $40 tax would have a far lower rate on a "tax-inclusive" basis, which includes the tax within the base, and is how income and wage tax rates are presented. On a tax-inclusive basis, the tax is included in the denominator, and the Cadillac tax's rate is about 28.6 percent ($40/$140).

TABLE 1.

Cadillac Tax Rate on $100, Tax-inclusive vs. Tax-exclusive

Type of Rate	Calculation (Tax/Tax Base)	Rate
Tax-exclusive	$40/$100	40%
Tax-inclusive	$40/$140	28.6%

Source: Congressional Research Service

The Congressional Budget Office (CBO) estimates that in 2019, the economy-wide marginal tax rate on labor is 27.2 percent (18.6 percent from individual income taxes, and 8.6 percent from payroll taxes).[5] This means that the Cadillac tax would make the provision of *high-cost* health insurance benefits (or those that are beyond the Cadillac tax's threshold and hit by the excise tax) slightly less attractive than the provision of wages from a tax perspective (28.6 percent to 27.2 percent). Compared to current law where health benefits are untaxed but wages are taxed, the Cadillac tax

4 See 26 U.S. Code § 4980I. Excise tax on high cost employer-sponsored health coverage. For an in-depth overview of the Cadillac tax's provisions, see, "Description of the Tax," in Sean Lowry, "The Excise Tax on High-Cost Employer-Sponsored Health Coverage: Background and Economic Analysis," Congressional Research Service, Aug. 20, 2015, https://fas.org/sgp/crs/misc/R44160.pdf; and Annie L. Mach, "Excise Tax on High-Cost Employer-Sponsored Health Coverage: In Brief." For a helpful breakdown of when a particular coverage provider (that is, the employer or the insurer) pays, see "Who calculates and pays," in Cigna, "Cadillac Tax," 2018, https://www.cigna.com/health-care-reform/cadillac-tax.

5 According to the CBO, "The economywide marginal tax rate is the share of additional earnings that would be paid in taxes if all workers experienced an equal percentage increase in labor income. That rate, which incorporates the rules of the payroll tax system and the federal income tax system, also accounts for forms of labor compensation that are not subject to federal taxes—for instance, many fringe benefits." See "Summary Figure 1" under "Data Underlying Figures," in Congressional Budget Office, "Marginal Federal Tax Rates on Labor Income: 1962 to 2028," Jan. 24, 2019, https://www.cbo.gov/publication/54911.

would discourage employers from providing health-care benefits and make wages more attractive.[6]

Though the Cadillac tax was, at first, nondeductible, the Consolidated Appropriations Act, 2016 allowed for this excise tax to be deducted from a coverage provider's gross income.[7] This lowers the tax's effective rate for firms that have taxable income, but not for nonprofit organizations and state and local governments, which generally do not pay income taxes. Since deductibility lowers the Cadillac tax's effective rate, the Cadillac tax discourages the provision of high-cost insurance benefits less for firms that can deduct the tax relative to those that cannot deduct the tax.[8]

The Cadillac Tax's Unpopular History

The Cadillac tax was established by the PPACA[9] and was supposed to take effect in 2018. The tax was delayed two years by the Consolidated Appropriations Act, 2016, pushing its implementation ahead to 2020.[10] The tax was delayed again through the Continuing Appropriations Act of 2018 and is currently scheduled to take effect in 2022.[11]

The CBO projected in 2015 that the Cadillac tax would generate $87 billion in revenue between 2016 and 2025.[12] However, revenues generated by the tax will likely increase as the budget window shifts and health-care prices increase, absent further delays in the Cadillac tax's implementation.

Some have attributed delays in the Cadillac tax's implementation to its unpopularity. One reason the tax is unpopular is that the number of health insurance plans subject to this tax could grow over time. Although the tax's parameters are adjusted for inflation, health insurance premiums tend to grow faster than the rate of inflation, and this could push more plans beyond the specified dollar thresholds, subjecting more health insurance plans to the tax.[13] The tax has also been criticized because it would hit some health insurance plans harder than others, such as more expensive plans provided by labor unions that tend to compensate employees heavily with fringe benefits.[14]

6 For discussions of tax inclusivity and the Cadillac tax, see Matthew Fiedler, "How to interpret the Cadillac tax rate: A technical note," USC-Brookings Schaeffer on Health Policy, Feb. 1, 2018, https://www.brookings.edu/blog/usc-brookings-schaeffer-on-health-policy/2018/02/01/how-to-interpret-the-cadillac-tax-rate-a-technical-note/. Matthew Fiedler, a fellow at USC-Brookings Schaeffer Initiative for Health Policy, compared the Cadillac tax's tax inclusive rate to the Tax Policy Center's 2018 estimate of the average marginal tax rate on wages and salaries, which was 32 percent. Estimates on the average marginal tax rate on labor can differ slightly, but in general, the Cadillac tax makes it more likely an employee will be compensated with wages instead of health benefits. See Tax Policy Center, "T17-0324 - Effective Marginal Individual Income Tax Rates (EMTR) on Wages and Salaries Under Current Law and Conference Agreement: The Tax Cuts and Jobs Act; By Expanded Cash Income Percentile, 2018," Dec. 18, 2017, https://www.taxpolicycenter.org/model-estimates/conference-agreement-tax-cuts-and-jobs-act-dec-2017/t17-0324-effective-marginal.

7 See H.R. 2029, "Consolidated Appropriations Act, 2016," 114th Congress, Public Law No: 114-113, Dec. 18, 2015, https://www.congress.gov/bill/114th-congress/house-bill/2029/text?overview=closed.

8 Scott Greenberg, "The Cadillac Tax Will Now Be Deductible. Here's What That Means," Tax Foundation, Jan. 14, 2016, https://taxfoundation.org/cadillac-tax-will-now-be-deductible-here-s-what-means/.

9 The Patient Protection and Affordable Care Act, Public Law 111-148, 111th Congress, https://www.congress.gov/111/plaws/publ148/PLAW-111publ148.pdf. See also, Annie L. Mach, "Excise Tax on High-Cost Employer-Sponsored Health Coverage: In Brief."

10 H.R. 2029, "Consolidated Appropriations Act, 2016."

11 H.R. 195, "Making further continuing appropriations for the fiscal year ending September 30, 2018, and for other purposes," 115th Congress, Public Law No: 115-120, Jan. 22, 2018, https://www.congress.gov/bill/115th-congress/house-bill/195.

12 Congressional Budget Office, "Insurance Coverage Provisions of the Affordable Care Act—CBO's March 2015 Baseline," 2015, https://www.cbo.gov/sites/default/files/recurringdata/51298-2015-03-aca.pdf.

13 Charles Blahous, "The Fiscal Consequences of the Affordable Care Act," The Mercatus Center at George Mason University, 2012, 34-35, https://www.mercatus.org/system/files/the-fiscal-consequences-of-the-affordable-care-act_1.pdf, and "Chapter 5: The Politics of Taxes in the Affordable Care Act," in Adam Hoffer, *For Your Own Good: Taxes, Paternalism, and Fiscal Discrimination in the Twenty-First Century* (Arlington, VA: Mercatus Center at George Mason University), 2018, 113, https://www.mercatus.org/system/files/chapter_5-rev.pdf.

14 Scott Greenberg, "White House Calls for targeting the Cadillac Tax by Location," Tax Foundation, Feb. 5, 2016, https://taxfoundation.org/white-house-calls-targeting-cadillac-tax-location/.

Despite these concerns, there is still a gap between the cost of an average individual or family insurance plan and those that would be subject to the Cadillac tax. Kaiser Family Foundation's 2018 Employer Health Benefits Survey found that the average annual premiums for employer-sponsored health insurance in 2018 was $6,896 for individuals and $19,616 for families.[15] These are below the thresholds of $10,200 for individuals and $27,500 for families originally established by the PPACA in 2018, and further below the Tax Policy Center's projections of $11,200 for individuals and $30,150 for families in 2022, when the law is next scheduled to take effect.[16] However, as noted previously, adjustments to the Cadillac tax for inflation could be consumed by faster growth in the cost of health insurance plans.

The Exclusion for Employer-Sponsored Insurance and its Impact

Late in the 19th century, employers in several industries, such as mining and railroad, began providing health services to their employees as a form of compensation (the cost of these benefits were paid for with payroll deductions). Additionally, organizations like labor unions began providing health benefits to their members and employees. In 1943, the War Labor Board ruled that these "fringe benefits" were not subject to wage and price controls established by the 1942 Stabilization Act, so employers began offering insurance benefits to draw employees. In 1954, the Internal Revenue Service officially exempted ESI from income taxation.[17]

Now, an employee's compensation in terms of wages are taxable, but compensation in the form of health insurance is excluded from gross income. As a result, employees have an incentive to demand compensation via health insurance, and employers have an incentive to help reduce their employee's taxable income.

The ESI exclusion now supports our system of employer-sponsored health insurance. As economist Jonathan Gruber puts it, the ESI exclusion is the "glue" that holds insurance markets together. Eliminating the exclusion could discourage employers from providing health insurance to employees, compromising the exclusion as a "pooling mechanism" that encourages both healthy and sick employees to take part in a health insurance market. This could leave employees who are sick without access to health insurance.[18] Research does suggest limiting the exclusion could reduce the level of employer-provided insurance.[19]

15 Kaiser Family Foundation, "2018 Employer Health Benefits Survey," 9.

16 Tax Policy Center, "What is the Cadillac Tax?" in "The Tax Policy Center's Briefing Book," https://www.taxpolicycenter.org/briefing-book/what-cadillac-tax.

17 Thomas C. Buchmueller and Alan C. Monheit, "Employer-Sponsored Health Insurance and the Promise of Health Insurance Reform," *Inquiry* 46 (Summer 2009): 187-202, https://journals.sagepub.com/doi/pdf/10.5034/inquiryjrnl_46.02.187.

18 Jonathan Gruber, "The Tax Exclusion For Employer-Sponsored Health Insurance," NBER, February 2010, https://www.nber.org/papers/w15766.pdf. Gruber notes that, even without the exclusion, employees may still value employers as a health insurance provider. For instance, employer-sponsored insurance allows employees to benefit from a larger group's negotiating power, as well as from "ease of plan choice and administration." It's also possible that a "major influx" of individuals from employer-sponsored plans into a non-group market could lower overall costs by increasing the non-group market's size. However, it's also likely that "enormous disparities in price and access by health status" would remain, providing "a reasonable second-best argument for maintaining the ESI exclusion."

19 Jonathan Gruber and James M. Poterba, "Tax Subsidies to Employer-Provided Health Insurance," January 1996, https://www.nber.org/chapters/c6239.pdf.

Yet, the ESI exclusion comes with trade-offs. The exclusion for ESI currently constitutes our tax code's biggest tax expenditure—or departure from the normal tax code that lowers a taxpayer's burden[20]—and will lower federal revenue by $2.79 trillion from 2019-2028.[21] And because both marginal tax rates and ESI exclusion expenditures rise with income, the benefits of the ESI exclusion increase with income, making this a regressive tax expenditure.[22] Removing or limiting the ESI exclusion might generate significant revenue and make the tax code more progressive.[23]

The ESI exclusion also encourages overconsumption of health insurance because health-care expenditures are not borne directly by consumers, but instead by employers who contract with third-party insurers. This gives consumers little incentive to care about their expenditures in a way that would drive down costs.[24] Since it reduces the after-tax cost of insurance to the worker in ways that are not transparent, it likely results in people with insurance obtaining more coverage than they otherwise would, which also increases health-care costs.[25]

What are the Cadillac tax's impacts?

In addition to raising revenue for provisions in the PPACA, the Cadillac tax was enacted to limit inefficiencies associated with the ESI exclusion and contain growing health insurance costs.[26] The Cadillac tax would accomplish this by increasing the cost of high-cost health insurance plans, which would reduce the overall amount of insurance coverage provided.[27]

In most cases, the Cadillac tax would encourage employers to reduce the value of health insurance provided below the Cadillac Tax's thresholds and compensate employees with more wages, which are taxable. In this case, no "excess benefits" would be hit by the 40 percent excise tax, though any additional wages provided to an employee would be taxed by payroll and income taxes. CBO and the JCT have assumed that the excise tax will encourage most employers to shift to lower-cost health plans, and research suggests as much as 86 percent of the premiums above Cadillac tax thresholds could be replaced by wages.[28]

20 Robert Bellafiore, "Tax Expenditures Before and After the Tax Cuts and Jobs Act," Tax Foundation, Dec. 18, 2018, https://taxfoundation.org/tax-expenditures-pre-post-tcja/.

21 See U.S. Department of the Treasury, "Tax Expenditures," Oct. 19, 2018. The Joint Committee on Taxation estimates the ESI exclusion will reduce federal revenue by $869.6 billion between 2018 and 2022. See Joint Committee on Taxation, "Estimates Of Federal Tax Expenditures For Fiscal Years 2018-2022," Oct. 4, 2018, https://www.jct.gov/publications.html?func=startdown&id=5148.

22 Bob Lyke, "The Tax Exclusion for Employer-Provided Health Insurance: Policy Issues Regarding the Repeal Debate," Congressional Research Service, Nov. 21, 2008, https://www.everycrsreport.com/files/20081121_RL34767_902970b14cf5c5056a020befbaaedeb2951b87fb.pdf.

23 Jonathan Gruber, "The Tax Exclusion For Employer-Sponsored Health Insurance."

24 See the section on moral hazard in Jane G. Gravelle, "The Excise Tax on High-Cost Employer-Sponsored Health Insurance: Estimated Economic and Market Effects," Congressional Research Service, Jan. 12, 2017, https://fas.org/sgp/crs/misc/R44159.pdf. See also Alan Cole, "Hilary Clinton Favors Cadillac Tax Repeal, But Many Economists Don't," Tax Foundation, Oct. 1, 2015, https://taxfoundation.org/hillary-clinton-favors-cadillac-tax-repeal-many-economists-don-t/.

25 Bob Lyke, "The Tax Exclusion for Employer-Provided Health Insurance: Policy Issues Regarding the Repeal Debate."

26 Sean Lowry, "The Excise Tax on High-Cost Employer-Sponsored Health Coverage: Background and Economic Analysis."

27 Jane Gravelle, "The Excise Tax on High-Cost Employer-Sponsored Health Insurance: Estimated Economic and Market Effects."

28 Ibid.

For instance, CBO noted in January 2015 (before the Cadillac tax was delayed) that the excise tax would have increased revenue projections for the individual income and payroll taxes because businesses would have shifted to lower-cost insurance plans to avoid the Cadillac tax, "thereby reducing nontaxable labor compensation and increasing taxable compensation."[29] And in analyzing a bill that would have delayed the Cadillac tax's implementation to 2023, CBO noted:

> The estimated decrease in revenues of $15.5 billion over the 2019-2028 period stems from foregone excise tax receipts and from fewer employers and workers shifting to lower-cost health insurance plans to avoid paying the tax. That is, relative to current law, more people would remain in higher cost health insurance plans, and a larger share of total compensation would take the form of non-taxable health benefits, decreasing the share that takes the form of taxable wages and salaries. The reduction in revenues also reflects CBO and JCT's expectation that some employers who are projected to stop offering health insurance under current law would instead continue to offer insurance whose total value exceeds the specified thresholds for the excise tax. That response would further reduce the share of compensation taking the form of taxable wages and salaries.[30]

Research suggests that about three-quarters of the revenue generated by the Cadillac tax would come indirectly through higher income and payroll tax revenues, as employers shift from compensating employers in the form of high-cost health benefits and opt for wages. About 25 percent would come directly from the excise tax itself.[31] For the employers that would keep high-cost insurance plans, it would make high-cost health insurance more expensive by taxing 40 percent of the excess benefits, and it is likely this cost would be borne by employees in the form of lower wages.

Regardless of whether employers shift from higher-cost plans and increase taxable wages to avoid the Cadillac tax or keep these high-cost plans and coverage providers incur the tax, the tax would decrease after-tax compensation for employees.[32] The revenue generated from the tax would make the tax code more progressive, as higher income people are more likely to have employer-sponsored health insurance and will be taxed at higher rates under our progressive income tax.[33]

As the majority of employers shift from compensating employees in the form of high-cost health benefits and opt for wages, the overall quantity and price of health-care services provided in the economy could fall. This is because the Cadillac tax would effectively cap subsidies for health insurance provided by the ESI exclusion, and people would demand fewer of these health-care services without these subsidies.[34]

29 Congressional Budget Office, "The Budget and Economic Outlook: 2015 to 2025," January 2015, https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/49892-Outlook2015.pdf.

30 Congressional Budget Office, "H.R. 4616, Employer Relief Act of 2018, Cost Estimate," July 27, 2018, https://www.cbo.gov/system/files/2018-07/hr4616.pdf.

31 Gordon Mermin and Eric Toder, "Distributional Impact Of Repealing The Excise Tax On High-Cost Health Plans," Tax Policy Center, July 2015, https://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/2000315-Distributional-Impact-of-Repealing-the-Excise-Tax-on-High-Cost-Health-Plans.pdf.

32 Jane Gravelle, "The Excise Tax on High-Cost Employer-Sponsored Health Insurance: Estimated Economic and Market Effects."

33 Linda Blumberg, John Holahan, and Gordon Mermin, "The ACA's 'Cadillac' Tax Versus a Cap on the Tax Exclusion of Employer-Based Health Benefits: Is This a Battle Worth Fighting?" Robert Wood Johnson Foundation, October 2015, https://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/2000482-The-ACAs-Cadillac-Tax-Versus-a-Cap-on-the-Tax-Exclusion-of-Employer-Based-Health-Benefits.pdf.

34 Jane Gravelle, "The Excise Tax on High-Cost Employer-Sponsored Health Insurance: Estimated Economic and Market Effects."

Policy Recommendations

Congress is poised to debate another delay to the Cadillac.[35] While the Cadillac tax is an imperfect tax instrument, it is also a reasonable way to provide a functional limit to the ESI exclusion.[36]

The Cadillac tax is not a transparent way to rein in health insurance subsidies. The best approach would be to establish an actual cap on the exclusion for employer-sponsored insurance. Instead, lawmakers chose to levy the tax on coverage providers, even though individuals will end up paying the tax, likely through increased income and payroll taxes as most employers shift from high-cost health insurance plans and compensate employees with increased wages. And if the price of health insurance plans does increase faster than the Cadillac tax adjusts its parameters for inflation, the number of taxpayers subject to the tax will increase with time. This kind of "bracket creep" is not a transparent way to increase revenue.[37]

Additionally, Congress's frequent delays of the tax raise concerns whether we can actually count on the tax as a revenue source.[38]

Despite these transparency and stability concerns, the Cadillac tax begins to correct the distortions caused by the exclusion for ESI, as well as raise some revenue in a progressive way. The tax is also a more incremental approach to limiting the ESI exclusion than getting rid of the exclusion entirely, which could significantly impact health insurance consumers, particularly those who currently receive health insurance through their employers.

Conclusion

Policymakers should be aware of the role that the ESI exclusion has played in establishing our current health insurance system, and that wholesale elimination of the exclusion could impact employer-sponsored insurance by increasing its price. However, the Cadillac tax offers one way that policymakers can work to rein in our tax code's subsidization of the health-care industry, which has increased the price of health-care services. The Cadillac tax is one option for policymakers to raise some revenue in a way that makes our tax code more progressive.

35 Michael Teitelbaum, "'Cadillac tax' repeal could get floor action, thanks to Pelosi's new rule," *Roll Call*, June 12, 2019, https://www.rollcall.com/news/congress/cadillac-tax-consensus-calendar-pelosi.

36 Linda Blumberg, John Holahan, and Gordon Mermin, "The ACA's "Cadillac" Tax Versus a Cap on the Tax Exclusion of Employer-Based Health Benefits: Is This a Battle Worth Fighting?"

37 For a discussion on transparency and the Cadillac tax, as well as other taxes associated with the PPACA, see Randall Holcombe, "Chapter 5: The Politics of Taxes in the Affordable Care Act," in *For Your Own Good: Taxes, Paternalism, and Fiscal Discrimination in the Twenty-First Century*.

38 Charles Blahous, "The Fiscal Consequences Of The Affordable Care Act." See also Megan McArdle, "Obamacare's Cadillac Tax Will Not Survive," Bloomberg, Feb. 4, 2016, https://www.bloomberg.com/opinion/articles/2016-02-04/obamacare-s-cadillac-tax-will-not-survive.