

Legislation Repeals Three Health-Related Excise Taxes Imposed by the Affordable Care Act

By James K. Shaw & Morris L. Hawk

Legislation enacted by Congress has repealed three excise taxes that had been previously imposed by the Patient Protection and Affordable Care Act (the “Affordable Care Act”). Congress recently enacted the Taxpayer Certainty and Disaster Tax Relief Act of 2019 (the “Disaster Relief Act”).

The excise taxes repealed by the Disaster Relief Act are as follows:

1. High-Cost Employer-Sponsored Health Coverage Tax (the “Cadillac Tax”).

Internal Revenue Code Section 4980I, which was added by the Affordable Care Act, imposed an excise tax on insurers when the aggregate value of employer-sponsored health insurance coverage for an employee, former employee, or surviving spouse exceeds a threshold amount. (In the case of a self-insured plan, such as a health reimbursement arrangement, the tax would be imposed on the employer). This “Cadillac” Tax on health plans had previously been postponed and now has finally been repealed for tax years beginning after December 31, 2019.

2. Health Insurance Provider’s Fee.

Beginning on January 1, 2014, Section 9010 of the Affordable Care Act imposed an annual fee on covered entities engaged in the business of providing health insurance with respect to U.S. Health Risks. The Disaster Relief Act has repealed the Health Insurance Provider’s excise tax for years beginning after December 31, 2020.

3. Medical Device Excise Tax.

Internal Revenue Code Section 4191(a), which was added by the Affordable Care Act, provided that the sale of a medical device by the manufacturer, producer or importer was subject to a 2.3% tax on the price for which it was sold. The Disaster Relief Act has repealed the Medical Device Excise Tax for sales occurring after December 31, 2019.

If you have any questions or concerns, please contact any of the listed Roetzel attorneys.

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