



TAXES – HEALTH INSURANCE TAX

Issue:

Farmers and ranchers have two major concerns related to health care: cost and access. The Health Insurance Tax (HIT Tax) increases health insurance costs for farmers, ranchers and other small businesses by imposing a levy on health insurance companies that is passed along to consumers. Repealing the HIT tax will reduce health insurance costs for farmers, ranchers and other small businesses.

Background:

The HIT Tax was passed as part of the Patient Protection and Affordable Care Act (ACA) as a way to raise revenue to offset the cost of the legislation. The tax, which is an excise tax levied on a health insurance company's net premium, is passed along to consumers. The HIT added \$8 billion to the cost of health insurance in 2014 and \$11 billion in 2015 and 2016. Congress imposed a one-year suspension for 2017 but the tax returned on January 1, 2018. The three-week continuing resolution suspends collection of the HIT tax for 2019.

Most farmers and ranchers and other small businesses cannot self-insure because they do not have a large enough pool of employees. Instead, they purchase health insurance in the fully insured market. Because fully insured health plans are the only plans that factor into how much HIT Tax an insurance company pays, the cost of the HIT Tax is passed through to small businesses that purchase those plans.

A recent report from Oliver Wyman estimates that the HIT will force families purchasing coverage in the small group market to pay an additional \$500 on average in premium costs this year. Worse, more than half of the entire tax is paid by those with incomes between \$10,000 and \$50,000.

This HIT tax is pushing insurance costs even higher than they already are, making it harder for farmers and ranchers to purchase coverage for themselves, their families and their employees. While the 2017 moratorium did temporarily buffer health insurance costs for one year, the HIT is again driving up premiums in 2018.

For additional information, visit the Stop the HIT Coalition website at <http://www.stopthehit.com/>.

Legislative Status:

Farm Bureau supports:

H.R. 246 to repeal the HIT tax by Reps. Kristi Noem (R-S.D.) and Krysten Sinema (D-Ariz.).

H.R. 4894 to stop the HIT for 2018 by Rep. Kristi Noem (R-S.D.).

H.R. 4620 to delay the HIT tax for two years by Reps. Kristi Noem and Krysten Sinema.

S.1859 to delay the HIT tax for one year introduced by Sen. Cory Gardner (R-Co.).

S.1978 to delay HIT tax for two years introduced by Sen. Heidi Heikamp (D-N.D.).

AFBF Policy:

Farm Bureau believes that one of the primary goals of health insurance reform should be to reduce costs. Because the HIT tax increases the cost of health insurance, Farm Bureau supports its repeal. Until the HIT tax can be repealed, Farm Bureau supports a suspension of HIT Tax collections including for 2018.

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