

November 13, 2018

The Honorable Mitch McConnell
Senate Majority Leader
317 Russell Senate Office Building
United States Senate
Washington, DC 20510

SUBJECT: Health Insurance Tax Delay/Repeal

Dear Majority Leader McConnell:

The California Chamber of Commerce is the largest broad-based business advocate to government in California. Our membership represents one-quarter of the private sector jobs in California and includes firms of all sizes and companies from every industry within the state. In California alone, almost 18 million individuals receive employer-sponsored health insurance coverage which is over 45 percent of the state population. In the US, approximately 50 percent of all health insurance coverage is obtained through employer-sponsored coverage.

The Health Insurance Tax (HIT), which was delayed for 2017 and will be effective in 2020 unless delayed or repealed, penalizes employers who are responsible and who provide health care coverage to their employees. The HIT is a tax on health insurance providers and is calculated on the entity's net premiums. In reality however, the HIT is essentially an indirect tax on responsible employers because the tax is calculated on insurance premiums paid for by employers.

The HIT is a nondeductible tax for health insurance providers. Health insurance providers who increase premiums to recoup the tax must raise premiums by a greater amount than the tax itself because the additional premium increase is considered taxable income. This increased cost is passed down to businesses, small and large.

With the announcement in July that premiums for health care plans purchased through the state's insurance marketplace, Covered California, will rise by an average of 8.7 percent, a delay or repeal of the HIT is more critical than ever. The HIT was delayed for 2017 with a bipartisan vote. If this tax is not repealed or delayed, large California employers and their employees will see health insurance premiums for family coverage increase by \$424 in 2020 and small California businesses and their employees will see premiums for family coverage increase \$429 in 2020 because of the HIT.

The California Chamber of Commerce urges Congress to repeal the HIT, and if more time is necessary for a repeal, to at least delay the HIT to ensure that responsible employers and their employees are not penalized by further increases in health insurance premiums.

Sincerely,



Sarah Boot
Policy Advocate
California Chamber of Commerce

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