

ObamaCare's whopping Cadillac tax under fire

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Gruber: Obama was in room when 'Cadillac tax' was created

Of all the taxes in ObamaCare, none is more onerous than the whopping 40 percent Cadillac tax on the more generous employer-provided health care plans, which often are union plans.

The now-famous former outside adviser on ObamaCare, Jonathan Gruber of MIT, spoke about the Cadillac tax before an audience at the Pioneer Institute in 2011, saying, "It turns out politically, it's really hard to get rid of. And the only way we could get rid of it was first by mislabeling it, calling it a tax on insurance plans rather than a tax on people, when we all know it's a tax on people who hold those insurance plans."

He called that a "clever" exploitation of Americans' "lack of economic understanding."

Later, Gruber said because the tax was a potential political nightmare, the president wanted to phase it in to draw less fire.

A Cadillac plan is one that costs about \$23,000 for a family of four. Unions would be hardest hit because they've negotiated generous health benefits, which are tax free, in place of increased wages, on which taxes must be paid.

Jim Capretta of the Ethics and Public Policy Center, said, "many unions have complained that this is going to hit them disproportionately because they collectively bargained rather generous insurance plans through their companies."

But the tax is so large -- \$80 billion between now and 2023 -- that the moment the law was passed, private employers started shifting more costs to their workers in the form of increased deductibles and co-pays in hopes of avoiding the tax.

Health economist John Goodman said, "I think no one will pay it. Instead of providing more generous benefits and paying 40 percent tax to the government, the company will simply offer less generous health insurance."

But about half of all union workers are in public employee unions, which means the taxpayer is the ultimate employer and may bear the burden of the tax.

"In New York City, by 2028, ten years after the Cadillac tax is in effect, they're estimating the cost at half a billion dollars just for this excise tax under ObamaCare," said Rosemary Gibson of the Hastings Center.

And across New York state, the tax will hit many more people, including 160 school districts.

"So think about it, Gibson said, "what are the options for these school districts?"

The answer is to raise property and other taxes -- or cut health benefits, meaning new union contracts have to be negotiated.

Some Republican proposals would also deal with Cadillac plans but with a lighter hand -- allowing tax free insurance, but only up to a certain level.

"What some Republicans' plans do is they allow you to have a certain amount of health insurance tax free, it's excluded from your taxable income," said Goodman. "You go above that, you have to pay taxes on that."

So if there were a limit of \$20,000 of tax free insurance and a Cadillac plan was \$23,000 for a family of four, the family would pay tax on the additional \$3,000.

And that would mean a far lower cost for most union members than having their health benefits cut by employers in order to avoid the tax.

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