

## IRS Issues Notice Regarding the Affordable Care Act's "Cadillac Tax"

---

March 6, 2015

---

---

The IRS recently issued Notice 2015-16, which is intended to "initiate and inform" its development of regulations implementing the Affordable Care Act's so-called "Cadillac tax" on certain higher cost health plans. Beginning in 2018, Section 4980I of the Affordable Care Act imposes a 40% excise tax on the cost of employer-sponsored health coverage that exceeds an annual statutory limit (\$10,200 for employee-only coverage and \$27,500 for employee-plus-one coverage in 2018). The Notice outlines various approaches the IRS is considering related to some of the issues in implementing Section 4980I, such as (i) the type of coverage subject to the excise tax, (ii) how to determine the cost of coverage, and (iii) applying the annual statutory limit to the cost of coverage. Although the Notice provides insight into what the Cadillac tax regulations may ultimately provide, the Notice is merely a request for comments on the issues it addresses and is not to be relied on for authoritative guidance. The IRS plans to issue a second notice seeking comments on those issues not addressed in Notice 2015-16 before the IRS issues proposed regulations related to the Cadillac tax. Notice 2015-16 can be found [here](#).