

Capping the Tax Exclusion of Health Benefits Offered by Employers Is More Equitable and Can Reduce the Deficit

A modest reduction in the tax exclusion of employer-sponsored health benefits can reduce the deficit and create a more equitable distribution of this tax subsidy, [according to research](#) conducted for the Robert Wood Johnson Foundation by the Urban Institute.



Robert Wood Johnson Foundation



\$272 BILLION

Amount in forgone revenue by the federal government in 2014 not taxing employer-sponsored insurance.

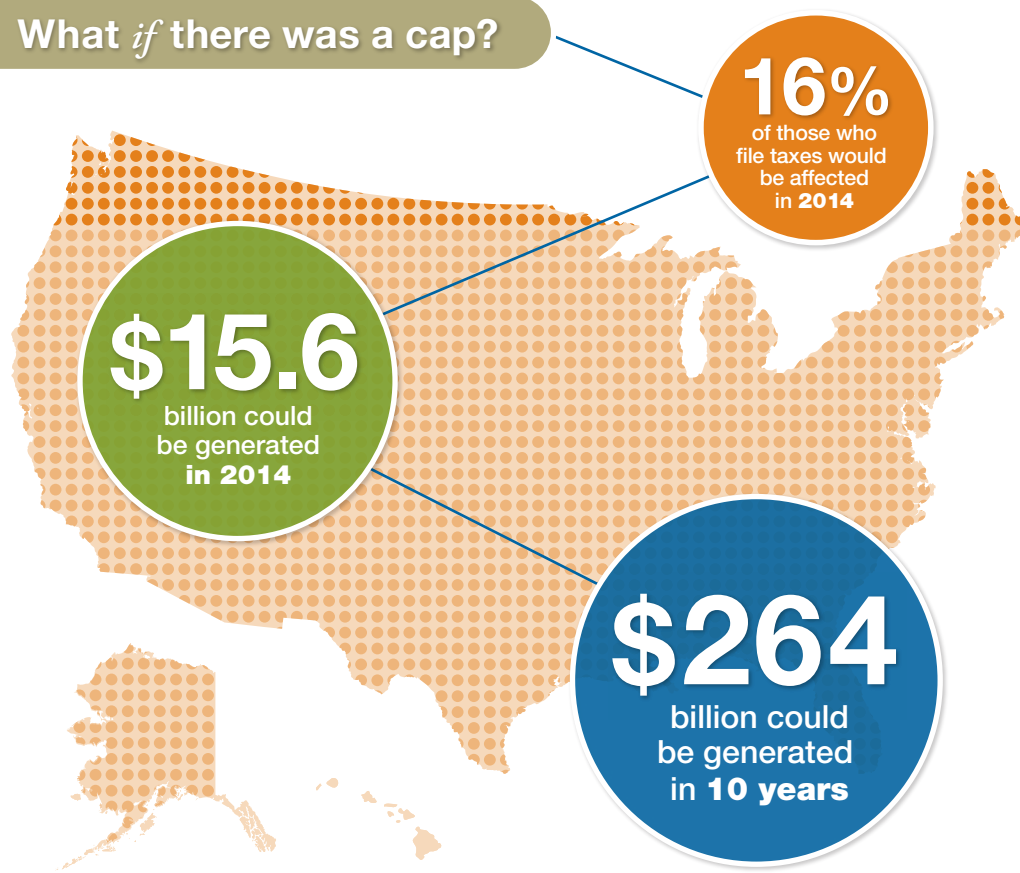


Taxing some of the value of the most costly benefits could yield **\$15.6 billion in federal revenues in 2014** and affect just **16% of those who file taxes.**

Researchers simulated a cap on the value of employer-sponsored health benefits that are excluded from income and payroll taxes.

They placed the cap at the 75th percentile of health benefits, meaning that **only the top 25% of the most expensive health benefits would be taxed.**

What if there was a cap?



The cap would generate \$264 billion in federal revenue over the coming decade, raising \$15.6 billion in 2014 alone. About 16% of those who file taxes would be affected in 2014.

Urban Institute

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