AMERICANS FOR
LIMITED GOVERNMENT

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United States Senate & House of Representatives
WASHINGTON DC 20001

To the Right-to-Work Members of Congress:

The Obama Administration, working hand in hand with union bosses behind closed doors, has now contrived a plan to force workers in Right to Work states to pay up to 40 percent more for insurance premiums than unionized workers. The plan is called the "Cadillac Tax." The "Health Care Penalty Tax" would be far more appropriate. Or — if you allow Barack Obama, Harry Reid, and Nancy Pelosi to exempt unions, as is now being proposed — the "Right-to-Work Penalty."

I am calling upon you to publicly denounce this blatant attack upon the citizens of your state. They will, I am certain, be eagerly awaiting your response.

This tax will hit your states and districts particularly hard, and is grossly unfair to non-union workers. It is a 40 percent tax on the value of any health insurance plan exceeding $8,500 for an individual and $23,000 for a family — to which "collectively-bargained" union insurance plans would be exempted.

In essence, non-union employers and employees will be forced to subsidize the cost of exempting union workers from the tax, which will cost families in your states and districts thousands of dollars a year in additional charges.

As reported by the Associated Press: "Officials say the White House and labor leaders have reached a tentative agreement on how to tax high-value health insurance plans to help pay for a revamped medical system… The proposed tax has been a major sticking point because labor leaders fear union members, with some of the more lucrative benefit plans, would be hurt. President Barack Obama supports it as a way to hold down costs by nudging workers into less pricey coverage."

This is absolutely deplorable to American workers, 92 percent of whom do not belong to unions. Immediately, it will have three impacts: 1) Health benefits will be cut as many insurers and employers stop providing such plans that were once affordable; 2) Of those plans not cancelled, the costs will be passed on to the insured, raising premiums; and 3) This new Health Care Penalty Tax will be used in Right-to-Work states as a backdoor method to forcing workers to join unions, since union dues would be less than the tax.

As noted by Human Events' Connie Hair, citing a CMS/OACT analysis of Senate-passed legislation, "the new tax will impact one in five Americans by the year 2016." And, when "the CBO was tasked to look at a substantially similar bill, they found the tax scheme would result in 30 million Americans who currently have employer-provided insurance paying the new tax by 2016. The number of people subject to the new tax each year would continue to grow as the cost of health insurance by design will increase at a faster rate than the taxable premium threshold resulting in more and more Americans being pushed above that taxable threshold."

Making matters worse, this kickback is not good health care policy. Rather, at stake is union support for a tax that by the unions' own admission will be catastrophic for working Americans subject to it. For example, Gerald Shea, an AFL-CIO lobbyist argued, "People are going to see this as a huge middle-class tax hit."

Only now, these unions will not be hit with the Health Care Penalty Tax because of the forced-unionism exemption. But everyone else will be, especially those workers and their families in your states and districts. This is a tax aimed at non-union workers and non-unionized businesses, in particularly, small businesses that provide good health coverage to their employees.

Moreover, this tax will disproportionately impact Baby Boomers, women, and the infirmed — in short, anyone that pays higher premiums because of medical need — none of whom have a seat at the closed-door negotiations hastily taking place now. Meanwhile, union bosses of the AFL-CIO and the SEIU have been well-represented, as is indicated by this contemptible union exemption from the 40 percent excise tax.

As noted by Bill Salganik, a member of CWA Local 32035, the Washington-Baltimore Newspaper Guild, "By 2019 the benefits tax would hit one-fifth of households making between $50,000 and $75,000 a year, according to figures from the Congressional Joint Committee on Taxation. The tax would pose a heavy burden on working families… Studies by the Economic Policy Institute and for the policy journal Health Affairs show that plans with big premiums don't necessarily have big benefits…"

Salganik continued, "Rather, high premiums go with an older workforce… because older people use more medical services. Smaller employers are also more likely to be affected; they pay, on average, 18 percent more than large employers for the same benefits, according to the White House Council of Economic Advisers. And health costs also tend to be higher for women, so work groups that have large female representation—such as teachers, nurses and telephone call center employees—are more likely to be taxed."

To mitigate these objections, rather than throwing the tax in the garbage where it belongs, Congressional leaders have chosen to exempt the unions. The objections to the tax, however, apply equally to non-unionized employers and non-union employees.

If you allow this tax to be enacted, you will be forced to explain to your constituents how it was you could possibly support forcing them to pay a tax to in essence subsidize union health benefits in non-Right-to-Work states like California and New Jersey.

Americans for Limited Government calls on you to state your opposition to this Health Care Penalty Tax, which will hit your constituents the hardest in Right-to-Work states.

Sincerely,

William Wilson
President
Americans for Limited Government