

Congress Repeals Affordable Care Act Taxes & 5th Circuit Rules Individual Mandate Unconstitutional

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Recently, the Affordable Care Act (ACA) has faced some challenges from both Congress and the U.S. Court of Appeals. First, Congress passed a new [spending bill](#) that effectively repealed several ACA taxes. Also, the 5th Circuit Court of Appeals ruled that the ACA Individual Mandate provision is unconstitutional.

Congress Repeals ACA Taxes with Passage of New Spending Bill

On December 20, 2019, President Trump signed into law a [new spending bill](#) that was previously passed by Congress. In this bill, the following ACA taxes were repealed:

Cadillac Tax

- The Cadillac Tax was a 40% tax on employer-sponsored health plans that cost plan participants more than \$10,000 per year for a single plan or \$27,500 for a family plan.
- Repeal Effect Date: January 1, 2020.

Health Insurance Tax (HIT)

- The Health Insurance Tax was a tax placed on health insurance companies annually.
- Repeal Effective Date: January 1, 2021.

Medical Device Tax

- The Medical Device Tax was a tax placed on the sale of medical devices. (This tax was previously delayed since 2015.)
- Repeal Effective Date: December 31, 2019.

5th Circuit Rules Individual Mandate Unconstitutional (Texas v. United States)

The U.S. Court of Appeals for the Fifth Circuit recently affirmed the [district court's decision](#) that the ACA's Individual Mandate is unconstitutional. The court held that the mandate is unconstitutional because it can no longer be viewed as a tax after the penalty was lowered to \$0 by Congress in [2017](#). The district court also ruled that the mandate was an essential part of the ACA and can not be separated from the law ("severability"). Further, the district court ruled that the entire law must be ruled unconstitutional. The 5th Circuit remanded the case back to the district court for additional analysis on the issue of whether or not the Individual Mandate can be separated from the law.

While the case is being re-reviewed by the district court, [all provisions of the ACA still remain in effect](#). If the 5th Circuit ultimately does find that the ACA as a whole is unconstitutional, the case will most certainly be appealed to the Supreme Court. As a result, a final decision in this case is unlikely to be reached this year.

If you have any questions or concerns, please contact me at: adillingham@benefitreview.com

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