

**URBAN
COUNTIES
CAUCUS**

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May 14, 2015

CC:PA:LPD:PR (Notice 2015-16)
Room 5203
Internal Revenue Service
P.O. Box 7604
Ben Franklin Station
Washington, DC 20044

RE: Excise Tax on High Cost Employer-Sponsored Health Coverage

The Urban Counties Caucus, which represents the most populous counties in California, writes to comment on the recent notice by the Internal Revenue Service regarding the Excise Tax on High Cost Employer-Sponsored Health Care.

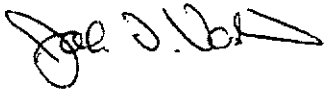
UCC is still in the process of reviewing the first notice and receiving comments from our member counties, however, this letter provides some of the comments and questions we have received from our counties.

- **Public Employers.** The excise tax is defined as a single threshold for all employers and does not take into account consideration geography, demographics, or the cost of living. Since counties serve as the employer for numerous employees and bargaining units, the one-size fits all approach does not work. Even within urban counties there are significant differences in the way health plans are designed and the cost of those plans. For example, the excise tax two-tier approach does not work in some counties who have a four-tier premium structure.
- **Health Retirement Impacts.** The excise tax formula includes contribution to Retiree health Reimbursement Accounts (HRAs) which is inconsistent with the intent of the program, and could unfairly burden employees who have agreed to trade their traditional retiree medical plan for these types of plans. These contributions are made on behalf of active employees to pay for medical coverage after retirement. Since the excise tax formula does not exempt these plans, the cost of an employee's current health coverage is included in the excise tax calculation which unfairly penalizes those that have used an HRA approach.
- **Excise Tax Calculation.** There are many questions that have been raised from the urban counties regarding the calculation of the excise tax which include who calculates the insured health plans, who is responsible for paying the tax, and who would be responsible for reporting. Counties are unclear if the burden would be on the employer or the health plan.

Finally, we would point out that California counties provide numerous services on behalf of the state and federal government and serve as the state's safety net. By including public employers in the broad definition of the excise tax, with no consideration of the variation that exists for public employers, this could negatively impact counties and reduce core services in other areas.

UCC continues to review and evaluate the proposed language and we hope to have more substantive comments at the next comment period. Please contact me at (916) 327-7531 or Jolena@urbancounties.com if you have any questions.

Sincerely,



Jolena L. Voorhis
Executive Director