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# Union workers would be exempt from Dem health care tax

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The best chance for compromise legislation on health care may be a plan under construction in the Senate Finance Committee that would pay for a public plan in part by taxing some worker health benefits.

But the union workers who helped Democrats win Congress and the White House and whose support will be key in getting a health bill signed into law would not pay the tax.

With cost estimates already as high as \$1.6 trillion, Senate Finance Committee Chairman Max Baucus, D-Mont., has proposed paying for the bill in part by taxing health care benefits for workers who earn more than \$100,000, or \$200,000 for married couples, according to those familiar with the discussions.

Baucus is also weighing a tax based on the value of health care benefits that exceed a yet-to-be determined cap. A tax on benefits that exceed the cap by a mere \$3,000 could amount to \$750 in taxes annually for a worker who earns as little as \$34,000, say experts.

But those union members serving under collective bargaining agreements would not be subjected to the tax, according to proposals under discussion.

Union workers enjoy some of the most extensive and costliest health benefits, and union officials complained their members would be unfairly burdened by a health care tax because their contracts cannot be changed quickly enough to avoid it.

Union members also represent one of the biggest and most powerful Democratic constituencies and their support of any health care reform proposal is viewed as essential to getting a bill passed in

Congress.

Baucus has proposed the tax threshold on health care benefits be set higher than the cost of policies available to federal employees and he has proposed exempting until 2013 those plans negotiated as part of union contracts.

“It’s a means of making sure that unions are foursquare behind any reform bill that comes out,” said Henry Aaron, a health care policy expert at Brookings Institution, a Washington think tank.

Critics of the Baucus proposal to exempt unions from a health care benefits tax said the exclusion could be used to lure into unions employees who are anxious to avoid the benefits tax.

Paul Fronstin, a senior research associate with the nonpartisan Employee Benefit Research Institute, said excluding union benefits is also practical.

“The reality is, unions are in the position where they are going to get hit the hardest on that tax, and they just can’t change it on a dime like everyone else,” Fronstin said.


Baucus is said to be considering a delay for everyone, not just unions.

“And there is precedent for that,” Fronstin said. “When the Clinton health plan was put on the table in 1993, the effective date was 1998. It was giving the industry time to implement whatever adjustments they needed to make.”

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