



Brotherhood of Maintenance of Way Employees Division of the International Brotherhood of Teamsters

Freddie N. Simpson
President

Ferry K. Geller, Sr.
Secretary-Treasurer

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(via facsimile and U. S. Mail)

President Barack H. Obama
The White House
Washington, DC 20500

Dear Mr. President:

I write to you on behalf of all the members of the Brotherhood of Maintenance of Way Employees Division/International Brotherhood of Teamsters ("BMWED") on a matter of great concern to them; the proposed taxation of employer provided healthcare benefits made pursuant to collectively bargained agreements. Our calculations show that such a change in the tax laws would add over \$3000 yearly to the personal income and payroll tax bill incurred by an average married member with no children. This increase in taxes would provide absolutely no increase in the quality of the healthcare benefits that member and his spouse receive today under their collectively bargained health insurance plan.

BMWED members build and maintain the nation's railroad tracks, railroad bridges and railroad structures. Since 1954, BMWED members, along with all other unionized employees in the railroad industry, have participated in a group plan providing health insurance for the employees, their spouses and their minor dependents. Today, that self-insured plan administered jointly by rail labor and rail management provides medical benefits to over 410,000 individuals throughout the United States. The Plan provides extended benefits when employees are laid off and it provides substantial extended coverage to employees unable to work because of sickness or disability. In our last negotiations, we extended managed care benefits to the one quarter of railroad employees and their families who previously could not receive them. We also made plan design changes that have stabilized costs without seriously undermining the quality of benefits provided to employees and their families. I am proud of this plan, which some may say is a "Cadillac Plan" with generous benefits. However, that plan is the result of hard bargaining and a willingness of the hard working men and women of the BMWED to take less in pay raises over the years in order to keep their health insurance plan and benefits a model for others. In other words, BMWED members already have "taxed" themselves to create and maintain a strong health insurance system, one that the federal government previously has been unable or unwilling to provide.

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Today, the annual premium cost of insuring each member and his or her family is over \$14,000 per employee. Each employee contributes over \$2000 annually in direct cost-sharing contributions towards that premium. The plan charges a single premium for each employee regardless of whether the employee is single, married or has multiple minor dependents. We in rail labor have maintained that structure to help educate the members that the essence of a group insurance plan is equality of treatment. You do not provide special favors or rates for "privileged" insurance risks like 30-year-old single employees in good health; just as you do not punish "poor" insurance risks like the 58-year-old employee with a lifetime of work on the railroad. The problem facing us is that if these benefits are taxed as income, the average member's tax bill goes up another \$3000, which in essence is an additional \$3000 health care cost sharing contribution for no change in that employee's level of benefits. Mr. President, my members cannot financially endure a 150% increase in their cost sharing contribution for health insurance. They have "taxed" themselves over the years to maintain that benefit, they cannot endure a double taxation to retain the exact benefit they have today.

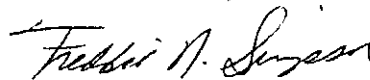
I don't need to tell you what the effect of such a tax increase would have on our collectively-bargained plan because you already said it more eloquently than I ever could on October 4, 2008 in Newport News, Virginia. If I may, I would like to quote from your speech that day:

When he [Senator McCain] taxes people's benefits, many younger, healthier workers will decide that it's a better deal to opt out of the insurance they get at work - and instead, go out into the individual market, where they can buy a cheaper plan. Many employers will be left with an older, sicker pool of workers who they can't afford to cover. As a result, many employers will drop their health care plans altogether. . . .

That's why I believe that every single American has the right to affordable, accessible health care - a right that should never be subject to Washington politics or industry profiteering, and that should never be purchased with tax increases on middle class families, because that is the last thing we need in an economy like this.

Mr. President, I agree with you, healthcare reform cannot be purchased with a tax increase on hard working Americans who have worked hard and sacrificed to create health insurance plans that protect their families. I respectfully urge you to make it clear to Congress that you will veto any healthcare reform legislation that removes the exclusion of employer provided healthcare benefits from an individual's taxable income. Thank you for your time and consideration of this request brought on behalf of the members of the BMWED.

Sincerely,



Freddie N. Simpson
President