

**ASSEMBLY BILL**

**No. 2720**

**Introduced by Assembly Member Aanestad**

February 22, 2002

An act to add Section 17053.90 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2720, as introduced, Aanestad. Personal income taxes: credits: seniors: cancelled HMO benefits.

The Personal Income Tax Law authorizes various credits against the taxes imposed by that law.

This bill would authorize a credit against those taxes for each taxable year beginning on or after January 1, 2002, in an amount equal to 100% of the amount paid or incurred during the taxable year by a qualified senior citizen, as defined, whose coverage under an HMO plan has been terminated as a result of the HMO's cancellation of services in a specified area or to a specified class beneficiaries.

The bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 17053.90 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 17053.90. (a) For each taxable year beginning on or after
- 4 January 1, 2002, there shall be allowed as a credit against the "net
- 5 tax," as defined in Section 17039, an amount equal to 100 percent



1 of the costs for medical and health services paid or incurred by a  
2 qualified senior citizen.

3 (b) For purposes of this section:

4 (1) "Qualified senior citizen" means a person, who before the  
5 close of the taxable year has attained the age of 60 years, whose  
6 coverage under an HMO plan has been terminated as a result of the  
7 HMO's cancellation of services in a specified area or to a specified  
8 class beneficiaries.

9 (2) "HMO" means a public or private organization, organized  
10 under the laws of this state, that:

11 (A) Provides or otherwise makes available to enrolled  
12 participants health care services, including at least the following  
13 basic health care services: usual physician services,  
14 hospitalization, laboratory, X-ray, emergency and preventive  
15 services, and out-of-area coverage.

16 (B) Is compensated, except for copayments, for the provision  
17 of basic health care services listed in subparagraph (A) to enrolled  
18 participants on a predetermined periodic rate basis.

19 (C) Provides physician services primarily, either directly  
20 through physicians who are either employees or partners of the  
21 organization, or through arrangements with individual physicians  
22 or one or more groups of physicians, organized on a group practice  
23 or individual practice basis.

24 (c) In the case where the credit allowed by this section exceeds  
25 the "tax," the excess may be carried over to reduce the "tax" in  
26 the following year, and succeeding years if necessary, until the  
27 credit is exhausted.

28 SEC. 2. This act provides for a tax levy within the meaning of  
29 Article IV of the Constitution and shall go into immediate effect.

