

AMENDED IN ASSEMBLY MARCH 13, 2000

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1734**

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**Introduced by Assembly Member Thomson**  
**Thomson and Campbell**

**(Principal coauthor: Assembly Member Scott)**

**(Coauthors: Assembly Members Alquist, Bock, Cedillo,  
Davis, Florez, Honda, Knox, Longville, Mazzoni,  
Strom-Martin, and Zettel)**

**(Coauthors: Senators Johannessen, Perata, and Solis)**

January 6, 2000

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An act to add Sections 17053.65 and 23665 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1734, as amended, Thomson. Income and bank corporation taxes: credit: health insurance.

The Personal Income Tax Law and the Bank and Corporation Tax Law authorize various credits against the taxes imposed by those laws.

This bill would *enact the Small Employee Health Coverage Incentive Act of 2000*, which would authorize a refundable credit against those taxes for each taxable and income year beginning on or after January 1, 2000, in an amount equal to \$65 per month for each covered individual for whom an eligible employer paid or incurred at least 80% of the covered individual's health insurance premium during the taxable or

income year for those covered individuals with incomes below 250% of the federal poverty level.

This 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. *This act shall be known and may be cited*  
2 *as the Small Employer Health Coverage Incentive Act of*  
3 *2000.*

4 SEC. 2. *The Legislature finds and declares all of the*  
5 *following:*

6 (a) *According to “The State of Health Insurance in*  
7 *California, 1999,” 7.3 million Californians were uninsured*  
8 *in 1998, representing 24.4 percent of Californians*  
9 *between the ages of 0 and 64 years.*

10 (b) *The uninsured are predominantly low- and*  
11 *moderate-income working families and individuals who*  
12 *do not qualify for government sponsored health*  
13 *insurance, who work for employers who do not offer*  
14 *coverage, or who cannot afford the employee share of the*  
15 *premium.*

16 (c) *The proportion of Californians who are uninsured*  
17 *(24.4 percent) is significantly higher than the average for*  
18 *the rest of the United States (17 percent), and fewer*  
19 *Californians have job-based health insurance (58*  
20 *percent) compared to the rest of the United States (69*  
21 *percent).*

22 (d) *In California, 20.6 percent of employees between*  
23 *the ages of 19 to 64 years worked for an employer who did*  
24 *not offer health benefits, compared to 14.6 percent in the*  
25 *rest of the United States, and fewer California firms offer*  
26 *health insurance (48 percent) compared to the rest of the*  
27 *United States (61 percent).*

28 (e) *According to a 1998 survey by KPMG Peat*  
29 *Marwick, the top three reasons small firms give for not*  
30 *offering health insurance benefits are financial premiums*  
31 *are too high, firm profits are too uncertain, and the cost*  
32 *of insurance is too uncertain.*



1 (f) A prudent means of making health insurance  
2 coverage more available is to provide a tax credit to small  
3 employers to encourage the provision of health coverage  
4 by the employer.

5 SEC. 3. Section 17053.65 is added to the Revenue and  
6 Taxation Code, to read:

7 17053.65. (a) For each taxable year beginning on or  
8 after January 1, 2000, there shall be allowed as a credit  
9 against the "net tax," as defined in Section 17039, of an  
10 eligible employer in an amount equal to sixty-five dollars  
11 (\$65) per month for each covered individual for whom  
12 the employer paid or incurred at least 80 percent of the  
13 covered individual's health insurance premium during  
14 the taxable year for those covered individuals with  
15 incomes below 250 percent of the federal poverty level.

16 (b) For purposes of this section "eligible employer"  
17 means an employer who employs on the average during  
18 the taxable year no more than 25 full-time permanent  
19 employees.

20 (c) In the case of a taxpayer whose credits provided  
21 under this section exceed the taxpayer's tax liability  
22 computed under this part, the excess shall be credited  
23 against other amounts due, if any, from the taxpayer and  
24 the balance, if any, shall be refunded to the taxpayer.

25 (d) The credit allowed by this section shall be in lieu  
26 of any deduction to which the taxpayer otherwise may be  
27 entitled for expenses on which a credit under this section  
28 is claimed.

29 (e) To qualify for the credit provided for in this  
30 section, an eligible employer shall make participation in  
31 a health plan available to all full-time employees at least  
32 annually and to all newly hired individuals within 30 days  
33 of the date of employment.

34 ~~SEC. 2.—~~

35 SEC. 4. Section 23665 is added to the Revenue and  
36 Taxation Code, to read:

37 23665. (a) For each income year beginning on or  
38 after January 1, 2000, there shall be allowed as a credit  
39 against the "tax," as defined in Section 23036, of an  
40 eligible employer in an amount equal to sixty-five dollars



1 (\$65) per month for each covered individual for whom  
2 the employer paid or incurred at least 80 percent of the  
3 covered individual's health insurance premium during  
4 the income year for those covered individuals with  
5 incomes below 250 percent of the federal poverty level.

6 (b) For purposes of this section "eligible employer"  
7 means an employer who employs on the average during  
8 the income year no more than 25 full-time permanent  
9 employees.

10 (c) In the case of a taxpayer whose credits provided  
11 under this section exceed the taxpayer's tax liability  
12 computed under this part, the excess shall be credited  
13 against other amounts due, if any, from the taxpayer and  
14 the balance, if any, shall be refunded to the taxpayer.

15 (d) The credit allowed by this section shall be in lieu  
16 of any deduction to which the taxpayer otherwise may be  
17 entitled for expenses on which a credit under this section  
18 is claimed.

19 (e) To qualify for the credit provided for in this  
20 section, an eligible employer shall make participation in  
21 a health plan available to all full-time employees at least  
22 annually and to all newly hired individuals within 30 days  
23 of the date of employment.

24 ~~SEC. 3.—~~

25 SEC. 5. This act provides for a tax levy within the  
26 meaning of Article IV of the Constitution and shall go into  
27 immediate effect.

