

AMENDED IN SENATE MAY 28, 1999
AMENDED IN SENATE APRIL 29, 1999
AMENDED IN SENATE APRIL 15, 1999
AMENDED IN SENATE MARCH 10, 1999

SENATE BILL

No. 42

**Introduced by Senator Speier
(Coauthor: Senator Brulte)**

December 7, 1998

An act to ~~add Section 10754.1 to, and to amend Section 17273~~ of, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 42, as amended, Speier. ~~Vehicle license fees: income~~ *Income* taxes: health insurance.

~~The Vehicle License Fee Law permanently offsets the amount of the vehicle license fee by 25%, and would, depending upon whether estimates of General Fund revenues for certain fiscal years meet or exceed certain amounts, provide for the implementation of similar, superseding offsets of 35%, 46.5%, 55%, and 67.5% to apply to specified future calendar years.~~

~~This bill would require that each of these estimates of General Fund revenues include an amount that is equal to the amount of additional revenue that the Department of Finance estimates would be deposited in the General Fund for the relevant fiscal year.~~

The Personal Income Tax Law, by reference to specified federal statutes, for taxable years beginning on or after January 1, 1999, allows a deduction for 40% of the amount paid or incurred during the taxable year by a self-employed individual for insurance that constitutes medical care for the taxpayer and his or her spouse and dependents. Existing federal law incrementally increases that deduction to certain percentage rates. Under federal law, a 60% deduction is allowed for taxable years beginning in calendar year 1999 through 2001, a 70% deduction is allowed for taxable years beginning in calendar year 2002, and a 100% deduction is allowed for taxable years beginning in calendar year 2003 or thereafter.

This bill would conform the deduction allowed under the Personal Income Tax Law to the applicable federal percentage of the amount paid or incurred for taxable years beginning on or after January 1, 1999.

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. Section 10754.1 is added to the Revenue~~
 2 ~~and Taxation Code, to read:~~
 3 ~~10754.1. Notwithstanding any other provision of law,~~
 4 ~~each General Fund revenue forecast required by~~
 5 ~~subdivision (b) of Section 10754, or any successor to that~~
 6 ~~subdivision, shall include an amount that is estimated by~~
 7 ~~the Department of Finance to be the amount of~~
 8 ~~additional revenue that would be deposited in the~~
 9 ~~General Fund for the relevant fiscal year.~~
 10 ~~SEC. 2.—~~
 11 ~~SECTION 1. Section 17273 of the Revenue and~~
 12 ~~Taxation Code is amended to read:~~
 13 ~~17273. For each taxable year beginning on or after~~
 14 ~~January 1, 1999, Section 162(l)(1) of the Internal~~
 15 ~~Revenue Code, relating to applicable percentage, is~~
 16 ~~modified to provide that Section 2002 of the Taxpayer~~
 17 ~~Relief Act of 1997 (P.L. 105-34) Tax and Trade Relief~~



1 *Extension Act of 1998 (P.L. 105-277)*, relating to phase in
2 of a 100-percent deduction for health insurance, shall
3 apply.

4 ~~SEC. 3.—~~

5 *SEC. 2.* This act provides for a tax levy within the
6 meaning of Article IV of the Constitution and shall go into
7 immediate effect.

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