Franchise Tax Board

REVISED ANALYSIS

Author:	Migden	Analyst:	LuAnna Hass	Bill Number:	AB 25
Related Bills:	See Legislative History	Telephone:	845-7478	Original Date:	December 4, 2000
		Attorney:	Patrick Kusiak	Sponsor:	

SUBJECT: Exclusion/Employer-Provided Medical Insurance Benefits/Includes Domestic Partners

_X_ REVENUE ESTIMATE CHANGED.

____ FURTHER CONCERNS IDENTIFIED.

_X_ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED December 4, 2000, STILL APPLIES.

____ OTHER - See comments below.

SUMMARY OF BILL

This bill would allow several existing taxpayer benefits for medical expenses and health insurance benefits to include a taxpayer's domestic partner and a domestic partner's dependents.

This bill also would make changes to a variety of state laws regarding domestic partners. These proposed changes do not affect the department and are not discussed in this analysis.

SUMMARY OF REVISION

The revenue estimate contained in the department's analysis of the bill as introduced December 4, 2000, is being revised to reflect the current law registration requirement for qualifying domestic partnerships.

Except for this change, the remainder of the department's analysis still applies.

POSITION

No Position.

At its June 27, 2001, meeting, the Franchise Tax Board voted to take no position on this bill.

ECONOMIC IMPACT

Revenue Estimate

Based on available information and assumptions discussed below, the revenue impact of this proposal is not expected to exceed $25,000 annually beginning in 2002-03.

Board Position:			Legislative Director	Date
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____ N	____ OUA	____ PENDING		

The prior revenue analysis was calculated based on households where the head of the household is a non-senior unmarried couple. The analysis did not adequately adjust the households to account for only domestic partnerships that satisfied the registration requirement under current law. This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

Revenue Discussion

The amount spent by employers to provide health benefits to domestic partners is not known. It is estimated that approximately 200 households with registered domestic partners who are covered by the other partner's employer-provided health insurance will qualify under this bill for the 2002 calendar year. These households would create a negligible revenue loss.

Estimates are calculated below:

- There are 7,100 domestic partnerships (14,200 people) registered with the California Secretary of State. Assuming that 95% (6,750) of these households have at least one working person, and 75% (5,060) have two working people, there are 11,800 jobs in these households. (2 working people in 5,060 households, plus 1,690 additional workers in the one-worker households.)

- Approximately 27% (3,200) of the 11,800 employed partners do not have insurance through their employment (UCLA Center for Health Policy Research). Given the likelihood that 73% of the other working partners do have insurance, about 2,300 working partners without insurance have a partner with employer-provided insurance. Based on AB 901 (Knox, 1999/2000) background information, 3% (70) of the working partners without insurance are covered by the employer-provided insurance of the other partner.

- In addition, there are about 1,690 households with a non-working partner. Assuming 73% (1,231) of those households have a working partner with employer-provided insurance, the 3% who are covered by the other domestic partner's health insurance yields 37 households.

The number of working (70) and non-working (37) partners who are covered by the other partner's health insurance totals 107 households affected by this bill. This number was rounded up to 200 to account for incentive effects. At an average of $1,650 per year for a domestic partner's health policy, employer contributions to the 200 households would be $330,000. At an average marginal tax rate of 6.5%, the tax liability equivalent would be $21,450. This estimate is expected to increase annually due to possible incentive effects under this legislation.

LEGISLATVE STAFF CONTACT

LuAnna Hass	Brian Putler
Franchise Tax Board	Franchise Tax Board
845-7478	845-6333