

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Assembly Revenue and Taxation Committee Analyst: Scott McFarlane Bill Number: AB 242
Related Bills: AB 36 (2011/12) Telephone: 845-6075 Amended Dates: May 27, 2011 and June 29, 2011
AB 1178 (2009/10) Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Conformity to Federal Health-Care Reform

SUMMARY

This bill would conform to five provisions of the 2010 federal health-care reform acts.

SUMMARY OF AMENDMENTS

The May 27, 2011, amendments removed a provision that had been intended to conform to the recently-repealed corporate deduction of free choice vouchers. The June 29, 2011, amendments removed additional free-choice-voucher provisions (a provision that would have conformed to the individual exclusion and a provision that would have conformed to the business deduction), and removed provisions that would have conformed to the exclusion of grants provided in lieu of therapeutic discovery project credits. The June 29, 2011, amendments would also make changes to the Civil Code and the Sales and Use Tax Law; however, because these changes would not affect the department, they are not discussed in this analysis.

As a result of the amendments, the "EFFECTIVE/OPERATIVE DATE," "FEDERAL/STATE LAW," "THIS BILL," and "ECONOMIC IMPACT" sections have been revised. The remainder of the department's analyses of the bill as introduced February 3, 2011, and as amended March 14, 2011, still applies.

RECOMMENDATION AND SUPPORTING ARGUMENTS

No position.

PURPOSE OF THE BILL

The general purpose of conforming to changes in federal law is to simplify both the preparation of California income tax returns and the administration of California income tax laws.

Board Position:

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Interim Legislative Director

Date

Anne Maitland

07/05/11

EFFECTIVE/OPERATIVE DATE

This bill would be effective on January 1, 2012. The operative dates of conformity to the five provisions of the Patient Protection and Affordable Care Act (PPACA) would be as follows:

	Act Section	Description	Operative Date
1	PPACA 10908	Health professional's student loan repayment program exclusion and student loan forgiveness exclusion	For amounts received on or after January 1, 2010
2	PPACA 10909	Adoption assistance exclusion increase	For taxable years beginning on or after January 1, 2010
3	PPACA 9021	Indian tribal government health benefits exclusion	For benefits/coverage provided after March 23, 2010
4	PPACA 9022	Safe harbor for small employer cafeteria plans	For taxable years beginning on or after January 1, 2011
5	PPACA 1515	Small employer cafeteria plans to allow Exchange-participating health plans	For taxable years beginning on or after January 1, 2014

ANALYSIS

FEDERAL/STATE LAW

See the Franchise Tax Board's report titled "[Summary of March, 2010, Federal Health Care Acts](#)" for a detailed discussion of federal and state laws that would be affected by this bill.

Additionally, on April 15, 2011, Congress repealed the tax provisions of Section 10108 of the PPACA,¹ relating to the exclusion and deduction of free choice vouchers.

THIS BILL

This bill would conform to the following five provisions of the PPACA:

	Act Section	Description
1	PPACA 10908	Health professional's student loan repayment program exclusion and student loan forgiveness exclusion
2	PPACA 10909	Adoption assistance exclusion increase
3	PPACA 9021	Indian tribal government health benefits exclusion
4	PPACA 9022	Safe harbor for small employer cafeteria plans
5	PPACA 1515	Small employer cafeteria plans to allow Exchange-participating health plans

¹ Section 1858 of Public Law 112-10, the Department of Defense and Full-Year Continuing Appropriations Act, 2011.

ECONOMIC IMPACT

	Act Section	Description	2010/11	2011/12	2012/13	2013/14
1	PPACA 10908	Health professional's student loan repayment program exclusion and student loan forgiveness exclusion	-\$400,000	-\$500,000	-\$350,000	-\$350,000
2	PPACA 10909	Adoption assistance exclusion increase	-\$1,500,000	-\$1,200,000	No Impact	No Impact
3	PPACA 9021	Indian tribal government health benefits exclusion	-\$50,000	-\$150,000	-\$80,000	-\$80,000
4	PPACA 9022	Safe harbor for small employer cafeteria plans	Negligible Loss	Negligible Loss	Negligible Loss	Negligible Loss
5	PPACA 1515	Small employer cafeteria plans to allow Exchange-participating health plans	No Impact	No Impact	Negligible Loss	Negligible Loss
Totals			-\$1,950,000	-\$1,850,000	-\$430,000	-\$430,000

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