

State of California

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Legislative Change (Report) No. 99-10

Bill Number: AB 1107 Author: Cedillo, et.al. Chapter Number: 99-146

Laws Affecting Franchise Tax Board: 17273

Date Filed with the Secretary of the State: July 22, 1999

SUBJECT: Self-Employed Health Deduction Conformity/Phase-in of 100%

Assembly Bill 1107 (Cedillo), as enacted on July 22, 1999, made the following changes to California law:

Section 17273 of the Revenue and Taxation Code was amended.

Existing federal law provides for a deduction in determining adjusted gross income (AGI) of 60% (effective for 1999) of a self-employed individual's cost for health insurance. Federal law also allows the deductible percentage to increase incrementally to 100% beginning in the year 2003. The percentage is increased as follows:

1999 through 2001	60%
2002	70%
2003 and thereafter	100%

Prior to the passage of this act, California law provided for a deduction of 40% of a self-employed individual's cost for health insurance in determining AGI.

This act conforms California law to federal law with regard to the incremental phase-in of a 100% deduction for self-employed health insurance costs.

This act is effective and operative for taxable years beginning on or after January 1, 1999.

This act will not require any reports by the department to the Legislature.

This act chaptered out AB 1289 (Ch. 117, Stats. 1999) (FTB LC 99-7). AB 1289 contained the identical provision.

Bureau Director

Johnnie Lou Rosas

Date

08/20/1999