



Bill Analysis

Author: Hertzberg, et al.

Bill Number: SB 967

SUBJECT

California Health Benefit Exchange/Information Sharing

SUMMARY

This bill would require the Franchise Tax Board (FTB) to add a checkbox to the personal income tax return to ask taxpayers if they want health care coverage information, and to provide this information to the California Health Benefit Exchange (Exchange) for outreach and enrollment efforts.

REASON FOR THE BILL

The reason for this bill is to reach out to taxpayers who indicate they are interested in obtaining health care coverage information.

ANALYSIS

Under the Administration of Franchise and Income Tax Laws, for taxable years beginning on or after January 1, 2023, the FTB would be required to include a checkbox for a taxpayer to indicate on their individual income tax return if they are interested in receiving information for no-cost or low-cost health care coverage. By checking the box, a taxpayer would authorize the FTB to share information from the individual's tax return with the Exchange for the purpose of enrollment efforts and outreach on health care coverage.

For the individuals who check the box on their individual income tax returns, the FTB would be required to disclose to the Exchange only the following information:

- Taxpayer name, or for joint filers, the names of both spouses or domestic partners;
- Full mailing address listed on the return;
- Number and age of household dependents; and
- Gross income.

Under the Government Code, this bill would require the Exchange to conduct outreach and enrollment efforts, on an annual basis, to individuals who indicate on their individual income tax return that they are interested in no-cost or low-cost health care coverage.

The bill would allow the FTB to require reimbursement from the Exchange for costs incurred in providing information required by this bill.

Effective/Operative Date

This bill would be effective January 1, 2023. The provisions relating to the Exchange's outreach and FTB's disclosure would be operative January 1, 2023, and the provision relating to the checkbox requirement would be specifically operative for taxable years beginning on or after January 1, 2023.

Federal/State Law

Federal Law

Existing federal law, the Patient Protection and Affordable Care Act (PPACA), enacts various health care coverage market reforms as of January 1, 2014. The PPACA generally requires an individual, and any dependents of the individual, to maintain minimum essential coverage (MEC), as defined if an individual does not maintain MEC, PPACA imposes on the individual taxpayer a penalty. This provision is referred to as the individual mandate. The federal Tax Cuts and Jobs Act set the penalty associated with the individual mandate requirement of the PPACA to zero beginning in 2019.

State Law

For each month beginning on or after January 1, 2020, there is a MEC individual mandate that requires an individual and the individual's spouse and dependents maintain MEC. For those without MEC or an exemption, California imposes an individual shared responsibility (ISR) penalty. Under current state law, the FTB is required to share information with the Exchange on individuals that did not maintain MEC for the preceding year and were not exempt from the MEC individual mandate. The Exchange is required to conduct outreach and enrollment efforts to these individuals.

Current state tax law provides that information collected from income tax returns is considered confidential and, unless specifically available for other uses, must be used only to administer the income tax laws. The FTB may disclose taxpayer information only in limited circumstances and only to specific agencies as authorized by law. Improper disclosure of federal tax information is punishable as a felony, and improper disclosure of state tax information is punishable as a misdemeanor.

Implementation Considerations

None noted.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 2564 (Bigelow, 2021/2022), would require the FTB to waive the ISR penalty in certain situations. AB 2564 is currently in the Assembly Committee on Health.

AB 414 (Bonta, Chapter 801, Statutes of 2019) required the FTB to report to the Legislature specified information regarding the MEC individual mandate, the ISR penalty, and the state financial assistance paid for health care coverage.

SB 78 (Committee on Budget and Fiscal Review, Chapter 38, Statutes of 2019) among other items, requires taxpayers to verify they maintained MEC or verify their exemption from the mandate. Individuals who lacked the coverage and were not exempt are required to pay the ISR penalty on their tax return.

PROGRAM BACKGROUND

The FTB is currently authorized to disclose specific individual income tax return information to the Exchange for purposes of conducting outreach and enrollment efforts. Information that the FTB is authorized to disclose to the Exchange is limited to the following, for taxpayers who do not report MEC:

- Taxpayer name or, in the case of taxpayers filing a joint return, the names of both spouses or domestic partners.
- Full mailing address listed on the return.
- Number and age of household dependents.
- Gross income.
- Number of months the applicable individual, and the applicable individual's applicable spouse and applicable dependents, if any, were covered by MEC.
- The amount of the penalty paid or owed by a taxpayer.
- Whether the taxpayer or any of the taxpayer's dependents claimed an exemption from the MEC individual mandate, and which exemption or exemptions were claimed.
- Whether the taxpayer reconciled the premium assistance subsidy advanced with the premium assistance subsidy granted.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

Revenue Estimate

This bill would not impact state income or franchise tax revenue.

LEGAL IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

The Assembly Revenue and Taxation Committee Analysis, dated June 24, 2022, contained the following support and opposition.

Support

American Heart Association; California Pan-Ethnic Health Network; County Health Executives Association of California; Health Access California; National Association of Social Workers, California Chapter; National Multiple Sclerosis Society, MS-CAN; and Western Center on Law and Poverty, Inc.

Opposition

None listed.

VOTES

Location	Date	Yes Votes	No Votes
Assembly Floor	August 11, 2022	76	0
Senate Floor	May 25, 2022	39	0

LEGISLATIVE STAFF CONTACT

FTBLegislativeServices@ftb.ca.gov

Amy Tong
Agency Secretary, GovOps
Work (916) 651-9011

Christina Spagnoli
Legislative Deputy, GovOps
Work (916) 651-9373

Selvi Stanislaus
Executive Officer, FTB
Work (916) 845-4543

Annette Kunze
Legislative Director, FTB
Work (916) 845-6333