



## **Bill Analysis**

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Bill Number: SB 999

## **SUBJECT**

Healthcare Mandate Penalty Reporting Requirements

## **SUMMARY**

This bill would, under the Revenue and Taxation Code (RTC), modify the Franchise Tax Board's (FTB) annual reporting due date for the healthcare mandate individual shared responsibility (ISR) penalty report from March 1 to April 1 beginning after January 1, 2027.

## **REASON FOR THE BILL**

The reason for the bill is to allow the FTB more time to gather data for the annual reporting of the ISR penalties.

## **ANALYSIS**

This bill would extend the due date of the FTB's annual healthcare mandate ISR penalty report due to the Legislature from March 1 to April 1.

### *Effective/Operative Date*

This bill would be effective January 1, 2027, and operative for reports due after that date.

### *Federal/State Law*

#### *Federal Law*

The Patient Protection and Affordable Care Act (PPACA), enacted various healthcare 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, and, if an individual does not maintain MEC, the PPACA imposes on the individual taxpayer the ISR payment. This provision is referred to as the individual mandate. The federal Tax Cuts and Jobs Act set the penalty associated with the ISR payment requirement of the PPACA to zero beginning in 2019. Additionally, the federal Inflation Reduction Act of 2022 extended the increased federal premium tax credit assistance, made available by the American Rescue Plan Act of 2021. The expanded provisions expired at the end of 2025.

*State Law*

For each month beginning on or after January 1, 2020, the MEC mandate was enacted to ensure an individual and the individual's spouse and dependents maintain MEC and imposes a penalty for failure to maintain MEC. Additionally, California created the Individual Market Assistance (IMA) to provide financial assistance for healthcare coverage to California residents with incomes at, or below, 600% of the Federal Poverty Level (FPL).

Since March 1, 2022, and on or before each March 1 thereafter, the FTB has been required to report certain ISR penalty data to the Legislature.

*Implementation Considerations*

None noted.

*Technical Considerations*

None noted.

*Policy Considerations*

None noted.

**LEGISLATIVE HISTORY**

SB 184 (Senate Committee on Budget and Fiscal Review, Chapter 47, Statutes of 2022), under the Government Code (GOV), extended indefinitely the IMA program, which provides financial assistance for health care coverage to California residents with incomes at, or below, 600% of the FPL.

SB 967 (Hertzberg, Chapter 170, Statutes of 2022), under the Administration of Franchise and Income Tax Law (AFITL), required the FTB to add a checkbox to the personal income tax return to ask taxpayers if they want healthcare coverage information, and if so, to provide this information to the California Health Benefit Exchange for outreach and enrollment efforts.

AB 414 (Bonta, Chapter 808, Statutes of 2019), under the RTC, required the FTB to report to the Legislature specified information regarding the MEC Individual Mandate, ISR penalty, and the state financial assistance paid for health care coverage.

SB 78 (Senate Committee on Budget and Fiscal Review, Chapter 38, Statutes of 2019), under GOV and RTC, established the MEC mandate, which required individuals and individual's spouse and dependents to maintain MEC and imposes the ISR penalty for failure to maintain MEC.

**PROGRAM BACKGROUND**

Beginning January 1, 2020, California residents and their dependents must maintain qualifying MEC for each month during the taxable year unless they qualify for one of 14 exemptions. Most exemptions can be claimed on the tax return, e.g., income is below the tax filing threshold, health coverage is considered unaffordable, families' self-only coverage combined cost is unaffordable, short coverage gap of three consecutive months or less, etc. However, the individual must apply with Covered California, which administers the California Health Benefit Exchange, for MEC exemptions for religious conscience, affordability hardship, and general hardships. Additionally, individuals may qualify for federal and California health care subsidies to assist them in maintaining MEC.

On the FTB's public website, there is a webpage for individuals, tax professionals, and insurance providers and employers, that provides information about the MEC Individual Mandate, the subsidy, the ISR penalty, relevant tax forms and instructions, an ISR Penalty tool that can be used to estimate the penalty, instructional videos, news articles, and useful website links.

**OTHER STATES' INFORMATION**

None noted.

**FISCAL IMPACT**

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

**ECONOMIC IMPACT***Revenue Estimate*

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

**LEGAL IMPACT**

None noted.

**EQUITY IMPACT**

None noted.

**APPOINTMENTS**

None noted.

**SUPPORT/OPPOSITION**

Senate Floor Analysis, dated August 24, 2026

*Support*

Health Access California

*Opposition*

None on file.

**VOTES**

| Location       | Date            | Yes Votes | No Votes |
|----------------|-----------------|-----------|----------|
| Concurrence    | August 25, 2026 | 40        | 0        |
| Assembly Floor | August 24, 2026 | 72        | 3        |
| Senate Floor   | April 16, 2026  | 38        | 0        |

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