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# SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair  
2025 - 2026 Regular

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<b>Bill No:</b>	SB 999	<b>Hearing Date:</b>	3/25/26
<b>Author:</b>	Weber Pierson	<b>Tax Levy:</b>	No
<b>Version:</b>	2/9/26	<b>Fiscal:</b>	Yes
<b>Consultant:</b>	Summers		

## ***FRANCHISE TAX BOARD: REPORTING REQUIREMENTS***

*Changes the due date from March 1 to June 1 for the Franchise Tax Board to report to the Legislature specific information regarding California's minimum essential health coverage requirement and individual shared responsibility penalty.*

### **Background**

Enacted by Congress in 2010 under President Obama's Administration, the Patient Protection and Affordable Care Act (ACA) required health care insurers to offer coverage to all individuals, regardless of their age or health status. The ACA also requires nearly everyone to have minimum essential health coverage (MEC) or pay a tax penalty collected by the Internal Revenue Service as part of the federal income tax form, unless an exemption applies. The ACA also created the Advanced Premium Tax Credit (APTC) (advanceable/refundable) for individuals between 100-400% of the federal poverty line (FPL), among other revisions to the health care system, and created state-based health insurance exchanges. States could choose to operate their own exchanges, or the Department of Health and Human Services would establish one.

In December 2017, Congress enacted the Tax Cuts and Jobs Act, which, among many changes to the federal income tax, reduced the tax penalty for individuals who fail to maintain MEC to zero, effective in 2019. In response to COVID-19, Congress passed the American Rescue Plan Act, which increased the APTC through tax year 2022 and removed the 400% FPL income limitation. In 2022, Congress enacted the Inflation Reduction Act, which extended the enhanced APTC through December 31, 2025. With the expanded subsidies set to expire, the assistance provided to individuals will revert to the original ACA/APTC, which is limited to individuals with household income between 100-400% of the FPL.

California was the first state in the nation to enact legislation creating a health benefit exchange under federal health care reform (AB 1602, Perez, 2010; and SB 900, Alquist, 2010). The California Health Benefit Exchange, also known as Covered California, was created to administer the ACA at the state level. Covered California was established to serve as a health plan marketplace, where Californians with incomes below 400% of the FPL can apply for federal subsidies to purchase health plans.

In June 2019, Governor Newsom signed SB 78 (Committee on Budget and Fiscal Review), which included several changes to maintain the positive effect of the ACA on health insurance rates in California, including:

- Establish a program within Covered California to provide state subsidies to assist individuals with incomes under 600% of the FPL to afford health insurance.
- Require California residents and any of their dependents to have MEC for each month beginning on January 1, 2020, unless they qualify for an exemption.
- Impose a penalty on individuals who fail to maintain MEC, known as the “Individual Shared Responsibility Penalty,” almost identical to the penalty in federal law. The penalty must be included on the individual’s tax return and applies to any month in which an individual or their dependent fails to maintain MEC.

SB 78 also required the Franchise Tax Board (FTB) to annually publish on its website:

- The number of applicable households paying the penalty and the average penalty amount by applicable household income level.
- The number of applicable households paying the penalty in each county and statewide.
- The total penalty amount collected.
- The number and type of most commonly claimed exemptions.
- The number and total penalty amounts collected under subdivision (j) of Section 61005.

AB 414 (Bonta, 2019) built upon SB 78’s reporting requirements by directing the FTB to also report to the Legislature specific data on the MEC and failure to maintain the penalty, including:

- The number of applicable households that pay the penalty and the number of dependents claimed by applicable households that pay the penalty by county and by federal poverty level category. The federal poverty level shall be estimated using adjusted gross income and the number of individuals in the tax household, using the following categories:
  - At or between 0 percent and 138 percent of the FPL.
  - At or between 139 percent and 266 percent of the FPL.
  - At or between 267 percent and 400 percent of the FPL.
  - At or above 401 percent of the FPL.
- The total penalty amounts imposed by county and by adjusted gross income class.
- The total statewide penalty amount imposed.
- The total number of exemptions applied, and the most common exemptions applied.
- The number and total amounts of penalties imposed and collected on applicable entities that provide MEC, including plan sponsors of employment-based health plan coverage.
- The number and amount of state financial subsidies paid and adjustments made through reconciliation, by county and by federal poverty level category.

AB 414 requires that this data be reported to the Legislature, on or before March 1, 2022, and annually thereafter. However, in order to meet the March 1 deadline, FTB uses data with a cutoff date of Sept 30<sup>th</sup>.

The author wants to change the due date for the report to the Legislature from March 1 to June 1 to allow FTB three additional months of data, extending the data cutoff to the end of the year and capturing most October extension filers.

### **Proposed Law**

Senate Bill 999 changes the due date from March 1 to June 1 for the FTB to report to the Legislature specific information regarding California’s MEC requirement and individual shared responsibility penalty.

## **State Revenue Impact**

FTB states that SB 999 would not impact state income or franchise tax revenue.

### **Comments**

1. **Purpose of the bill.** According to the author, “Following the elimination of the federal Individual Shared Responsibility Penalty in 2019, the UCLA Center for Health Policy Research projected that approximately 150,000-450,000 more Californians would become uninsured by 2020, growing to between 490,000-790,000 more uninsured by 2023, due to the elimination of the penalty. The Center states that the zeroing out of the penalty payment reduces incentive for healthier individuals to sign up for coverage, which leads to an inevitable increase in premiums and a further decrease in enrollment rates. SB 78 (Committee on Budget and Fiscal Review, Chapter 38, Statutes of 2019) responded to this by reinstating the penalty payment in California to help prevent such a substantial number of Californians from losing their health insurance, as well as any further destabilization of the insurance market. AB 414 (Bonta, Chapter 801, Statutes of 2019) built upon this mandate by requiring the Franchise Tax Board (FTB) to annually report specified data regarding qualified individuals who paid the penalty in California. However, the current deadline for the annual report only includes timely filed and processed return data available as of September 30<sup>th</sup>, preventing FTB from including October extension filers in the report. Delaying the publication date would allow FTB to more accurately portray the number of Californians without coverage.”
2. **Getting the whole picture.** Changing the statutory due date for the MEC penalty to June 1st would allow FTB three additional months of data, extending the cutoff from Sept 30th to the end of the year and capturing most October extension filers. According to FTB, re-running the data from the most recent report would yield about 12% more returns. Including those additional returns would make the report substantially more complete, reduce bias from missing late-filed but timely returns, and provide the Legislature with a more accurate measure of penalty incidence and collections.
3. **By the numbers.** The FTB’s February 2026 Health Care Minimum Essential Coverage Individual Mandate Report was timely filed and prepared using processed return data available as of September 30, 2025.<sup>1</sup> The report includes data tables and qualitative analysis that satisfy the statutory reporting mandate. For example, the report indicates that in 2025, the Individual Shared Responsibility Penalty was assessed to 208,283 households for a total assessed amount of \$237,804,497, with an average assessment of \$1,142 and a mean of \$900.

### **Support and Opposition** (3/20/26)

**Support:** None received.

**Opposition:** None received.

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<sup>1</sup> <https://www.ftb.ca.gov/about-ftb/data-reports-plans/Health-Care-Minimum-Essential-Coverage-Mandated-Report-February-2026.pdf>