

Date of Hearing: June 8, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

SB 999 (Weber Pierson) – As Introduced February 9, 2026

Majority vote. Fiscal committee.

SENATE VOTE: 38-0

SUBJECT: Franchise Tax Board: reporting requirements

SUMMARY: Delays, from March 1 to June 1, the annual reporting due date for the healthcare mandate individual shared responsibility (ISR) penalty report published by the Franchise Tax Board (FTB).

EXISTING LAW:

- 1) Requires an individual and the individual's spouse and any dependents to maintain minimum essential coverage (MEC) for healthcare and imposes a penalty on taxpayers who fail to comply with this requirement. (Government Code Section 100700 *et seq.* and Revenue and Taxation Code (R&TC) Section 61000 *et seq.*)
- 2) Requires the FTB to annually report certain ISR penalty data to the Legislature on or before March 1. (R&TC Section 61050.)
- 3) Provides financial assistance for healthcare coverage to California residents with incomes at, or below, 600% of the Federal poverty level (FPL) through the Individual Market Assistance (IMA) program. (Government Code Section 100800.)

FISCAL EFFECT: The FTB has not yet provided an estimate of the costs associated with implementing this bill, but it would not impact state income or franchise tax revenue.

COMMENTS:

- 1) The author has provided the following statement in support of this bill:

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 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 30th, 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) Committee Staff Comments:

- a) *The Affordable Care Act*: Pursuant to the Patient Protection and Affordable Care Act (ACA), starting January 1, 2014 most individuals had to maintain health insurance coverage or pay a penalty for noncompliance implemented through the Internal Revenue Code (IRC). The ACA contained multiple requirements applicable to private health insurance issuers that sought to improve access to private health insurance for sick individuals or those at high risk of becoming ill, including prohibiting insurers from denying coverage based on pre-existing conditions. The individual mandate works in tandem with the other requirements by encouraging healthy individuals to participate in the market so that insurers' risk pools are not primarily composed of individuals who are at high risk of using health care services.¹

Some individuals are exempt from the mandate and not subject to its associated penalty, such as low-income taxpayers, people who are incarcerated, and certain non-citizens who are not lawfully present in the United States. Individuals who do not comply with the mandate, or who have dependents who do not comply, may be required to pay a penalty annually for each month of noncompliance, to be implemented through the IRC. An individual's annual penalty is equal to one-twelfth of the annual penalty multiplied by the number of months in which the individual did not comply with the mandate.

The ACA also created the Advanced Premium Tax Credit (APTC) for individuals earning between 100 to 400% of the FPL, which reduces the cost for health insurance premiums when individuals buy health insurance on a state marketplace, such as Covered California. The APTC is calculated and sent directly from the federal government to insurance companies, reducing the covered individual's monthly premiums.

- b) *Federal penalty suspended*: Enacted in 2017, the Tax Cuts and Jobs Act (TCJA) did not eliminate the ISR mandate but reduced the penalty for failure to comply to zero dollars for tax year 2019 and all subsequent years. Starting January 1, 2019, taxpayers are still required by law to have MEC or qualify for a coverage exemption. However, under the TCJA, a taxpayer no longer needs to make a shared responsibility payment or file the requisite form with the Internal Revenue Service claiming an exemption.
- c) *States step in*: Following the suspension of the federal MEC penalty, California and several other states enacted state-level mandates intended to maintain a balanced insurance pool; keep premiums from rising too quickly; and fund state healthcare

¹ Mach, Annie. "The Individual Mandate for Health Insurance Coverage: In Brief." *Congressional Research Service*. Updated March 19, 2018. <https://crsreports.congress.gov/R44438>.

initiatives, such as reinsurance programs or subsidized care for certain populations. 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, 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.

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.²

California also created and provided a state-level premium assistance subsidy to supplement the APTC for the 2020-2022 tax years to individuals with household incomes at or below 600% of the FPL, which is more expansive than the 100-400% of the FPL used to determine eligibility for the federal APTC.

- d) *Federal subsidies expanded before expiring this year:* Responding to the COVID-19 pandemic, the American Rescue Plan Act of 2021 increased the APTC subsidy through the 2022 tax year and removed the 400% FPL income limitation ("Enhanced APTC"). Because most individuals were subsidized at a higher rate by the federal government, state subsidies for taxpayers earning under 600% of the FPL were almost entirely superseded and eligibility was reduced to zero for nearly all taxpayers in the California Premium Subsidy Program. The Inflation Reduction Act, passed in 2022, extended the Enhanced APTC through December 31, 2025.

Because the Enhanced APTC was not extended by Congress, federal healthcare subsidy assistance has reverted to the original APTC, which is limited to individuals with household incomes of between 100 to 400% of the FPL.

- e) *What problem does this bill seek to solve?* While individual tax returns are typically due on or before April 15 of each year, the filing deadline has been extended for some taxpayers in recent years due to the COVID-19 pandemic and natural disasters in various parts of the state. Additionally, California provides individual taxpayers with an automatic six-month extension to file their personal income return, which means these taxpayers must file on or before October 15. An extension to file the return is not an extension of the payment deadline, however. Taxpayers must pay the amount owed by April 15 to avoid penalties and interest.

According to the Senate Committee on Revenue and Taxation's analysis of this bill, FTB staff estimate that shifting the due date of the annual report would capture roughly 12%

² "Health care mandate – Minimum Essential Coverage Individual Mandate." *Franchise Tax Board*. Updated September 24, 2025. <https://www.ftb.ca.gov/file/personal/filing-situations/healthcare/>.

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.

REGISTERED SUPPORT / OPPOSITION:**Support**

None on file

Opposition

None on file

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