

[Assembly Bill 24](#) (Levine, et al.)

Date: 07/16/15

Program: In-Home Support Services Tax

Sponsor: Author

Revenue and Taxation Code Section 6172

Effective: January 1, 2016

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This analysis is limited to the bill's effect on the BOE-related tax programs

Summary: Repeals the in-home support services (IHSS) sales tax provisions and enacts a new tax to be administered by the Department of Health Care Services.

Purpose: To close a funding gap for Medi-Cal and other vital health services. The author notes that “this fix would preserve \$1.1 billion in federal matching funds that were threatened after the federal government rejected a sales tax on Medi-Cal plans that California had previously used to provide its share of Medicaid funding.”

Fiscal Impact Summary: No sales tax revenue impact.

Existing Law: Contingent upon specified federal approval, existing law¹ imposes a sales tax on providers of support services at retail, measured by the gross receipts from the sale of those services. To date, federal approval has not occurred, and the proposed tax has not become operative.

Beginning January 1, 2013 and ending January 1, 2016, existing law² also imposes a sales tax on Medi-Cal Managed Care Plan sellers for the privilege of selling Medi-Cal related health care services at retail in California. The tax is imposed on the seller's premium or capitation payment receipts for the coverage or provisions of all health care services, including Medi-Cal services.

Proposed Law: Effective July 1, 2016, this bill repeals the inoperative IHSS sales tax provisions, and establishes a new managed care organization provider tax to be administered by the Department of Health Care Services.

Background: The idea³ to impose sales tax on IHSS workers' salaries was advanced by advocates, including the IHSS worker union (SEIU), and was intended to generate additional federal matching funds from federal Medicaid dollars to provide some additional state General Fund savings. These provisions would have required each IHSS worker to pay sales tax on their total wages through a deduction in their paychecks. The full sales tax withheld would then be returned to the IHSS worker.

Commentary: This bill has no effect on the BOE's administrative responsibilities.

Administrative Costs: The BOE will not impact the BOE's administrative costs.

Revenue Impact: This bill has no effect on state and local sales tax revenues.

¹ Article 4 (commencing with Section 6150) of Chapter 2 of Part 1 of Division 2 of the Revenue and Taxation Code (RTC).

² Article 5 (commencing with Section 6174) of Chapter 2 of Part 1 of Division 2 of the RTC.

³ As added by [AB 1612](#) (Ch. 725, Stats. 2010).