

Assembly Constitutional Amendment

No. 11

Introduced by Assembly Members Kalra and Lee
(Coauthors: Assembly Members Mia Bonta, Carrillo, Friedman,
Nazarian, and Santiago)
(Coauthors: Senators Cortese, Gonzalez, Kamlager, McGuire, and
Wiener)

January 5, 2022

Assembly Constitutional Amendment No. 11—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by adding Section 16 to Article XIII B thereof, and adding Article XIII E thereto, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

ACA 11, as introduced, Kalra. Taxes to fund health care coverage and cost control.

Existing law imposes various taxes, including personal income and excise taxes. The California Constitution requires a $\frac{2}{3}$ vote of both houses of the Legislature for the passage of any change in statute that results in any taxpayer paying a higher tax. The California Constitution generally prohibits the total annual appropriations subject to limitation of the state and each local government from exceeding the appropriations limit of the entity of government for the prior fiscal year, adjusted for the change in the cost of living and the change in population, and prescribes procedures for making adjustments to the appropriations limit.

This measure would impose an excise tax, payroll taxes, and a State Personal Income CalCare Tax at specified rates to fund comprehensive universal single-payer health care coverage and a health care cost control

system for the benefit of every resident of the state, as well as reserves deemed necessary to ensure payment, to be established in statute. The measure would authorize the Legislature, upon an economic analysis determining insufficient amounts to fund these purposes, to increase any or all of these tax rates by a statute passed by majority vote of both houses of the Legislature.

This measure would establish the CalCare Trust Fund in the State Treasury and would deposit these tax revenues in the fund for the purpose of funding this health care coverage, cost control system, and reserves, and would authorize the Legislature to appropriate these funds by a statute passed by a majority vote of the membership of both houses. The measure would exclude appropriations of revenues from the CalCare Trust Fund from the limitation on appropriations and from consideration for purposes of educational funding mandated by the California Constitution.

This measure would prohibit the above-described provisions from becoming operative until the later operative date of a statute that establishes comprehensive universal single-payer health care coverage, a health care cost control system, and necessary reserves, and a statute that establishes the administration, collection, and enforcement of the excise tax, payroll taxes, and a State Personal Income CalCare Tax imposed by the measure.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

- 1 *Resolved by the Assembly, the Senate concurring,* That the
- 2 Legislature of the State of California at its 2021–22 Regular
- 3 Session commencing on the seventh day of December 2020,
- 4 two-thirds of the membership of each house concurring, hereby
- 5 proposes to the people of the State of California, that the
- 6 Constitution of the State be amended as follows:
- 7 First—The people of the State of California find and declare all
- 8 of the following:
- 9 (a) Comprehensive health care coverage for every resident of
- 10 California is a right.
- 11 (b) Californians, as individuals, employers, and taxpayers, will
- 12 greatly benefit from having in place a comprehensive universal
- 13 single-payer health care system, allowing health care professionals
- 14 and hospitals to focus on patient care.

1 (c) It is the intent of the Legislature to adopt a statutory program
 2 of comprehensive universal single-payer health care coverage and
 3 a health care cost control system for the benefit of every resident
 4 of the state before tax revenues are levied pursuant to this measure.
 5 The Legislature further intends that a comprehensive universal
 6 single-payer health care system would also be funded by
 7 broad-based revenues, including existing revenue from government
 8 health care programs such as Medi-Cal and Medicare.

9 Second—That Section 16 is added to Article XIII B thereof, to
 10 read:

11 SEC. 16. “Appropriations subject to limitation” of each entity
 12 of government shall not include appropriations of revenues from
 13 the CalCare Trust Fund collected pursuant to Article XIII E to fund
 14 comprehensive universal single-payer health care coverage and a
 15 health care cost control system for the benefit of every resident of
 16 the state, and reserves deemed necessary to ensure payment.

17 Third—That Article XIII E is added thereto, to read:

18
 19 **ARTICLE XIII E**

20 **Taxation to Fund Health Care Coverage and Cost Control**

21
 22 SECTION 1. (a) The following state taxes are imposed as
 23 follows, subject to being operative as provided in Section 4, for
 24 the purpose of funding comprehensive universal single-payer health
 25 care coverage and a health care cost control system for the benefit
 26 of every resident of the state, and reserves deemed necessary to
 27 ensure payment:

28 (1) An annual excise tax is hereby imposed upon a qualified
 29 business, as defined by the Legislature, for the privilege of doing
 30 business in this state at a rate of 2.3 percent of the gross receipts
 31 of that qualified business minus the first two million dollars
 32 (\$2,000,000) in annual gross receipts of that business.

33 (2) (A) A payroll tax is hereby imposed on every employer
 34 who pays wages or other compensation to 50 or more resident
 35 employees for services performed either within or without this
 36 state at a rate of 1.25 percent of the aggregate amount of wages or
 37 other compensation paid by the employer to the resident employees.

38 (B) In addition to the payroll tax described in subparagraph (A),
 39 a payroll tax is hereby imposed on every employer who pays wages
 40 or other compensation to resident employees for services performed

1 within or without this state at a rate of 1 percent of the aggregate
 2 amount of wages or other compensation paid by the employer to
 3 the resident employees in excess of forty-nine thousand nine
 4 hundred dollars (\$49,900) per resident employee.

5 (C) The employer shall for each payroll period deduct and
 6 withhold from compensation paid to resident employees the
 7 amounts of tax imposed under subparagraph (B).

8 (3) (A) In addition to any other tax imposed under the Personal
 9 Income Tax Law (Part 10 (commencing with Section 17001) of
 10 Division 2 of the Revenue and Taxation Code), there is hereby
 11 imposed for each taxable year upon the entire taxable income of
 12 every resident of this state whose income is subject to tax under
 13 Section 17041 of the Revenue and Taxation Code, a State Personal
 14 Income CalCare Tax in the following amounts and at the following
 15 marginal rates upon the amount of taxable income computed for
 16 the taxable year as if the resident were a resident of this state for
 17 the entire taxable year and for all prior taxable years for any
 18 carryover items, deferred income, suspended losses, or suspended
 19 deductions:

20		
21	For taxable income:	The marginal tax is:
22	\$149,509 but not over \$299,508	0.5% of the taxable income
23	\$299,509 but not over \$599,012	1% of the taxable income
24	\$599,013 but not over \$1,299,499	1.5% of the taxable income
25	\$1,299,500 but not over \$2,484,120	1.75% of the taxable income
26	\$2,484,121 and above	2.5% of the taxable income

27
 28 (B) The marginal rates specified in subparagraph (A) shall be
 29 adjusted for inflation based on the California Consumer Price Index
 30 annually.

31 (C) A statute may be passed to suspend subparagraph (B) by
 32 an act approved by a majority vote of the entire membership of
 33 each of the two houses of the Legislature.

34 (b) Notwithstanding Section 3 of Article XIII A or any other
 35 provision of this Constitution, upon an economic analysis
 36 determining insufficient amounts in the CalCare Trust Fund,
 37 established pursuant to Section 2, for the funding of comprehensive
 38 universal single-payer health care coverage, a health care cost
 39 control system, and necessary reserves, a statute may be passed to
 40 increase any or all of the tax rates imposed pursuant to this section

1 by an act approved by a majority vote of the entire membership
2 of each of the two houses of the Legislature.

3 SECTION 2. All revenues, net of refunds, derived from the
4 taxes imposed pursuant to Section 1 shall be deposited in the
5 CalCare Trust Fund, which is hereby established in the State
6 Treasury, to be held in trust for the sole purpose of funding
7 comprehensive universal single-payer health care coverage and a
8 health care cost control system for the benefit of every resident of
9 the state, and reserves deemed necessary to ensure payment. The
10 Legislature may appropriate funds from the CalCare Trust Fund
11 by a statute passed by an act approved by a majority vote of the
12 entire membership of each of the two houses of the Legislature,
13 and shall not so appropriate the revenues in the CalCare Trust Fund
14 for any purpose other than funding comprehensive universal
15 single-payer health care coverage and a health care cost control
16 system for the benefit of every resident of the state, and reserves
17 deemed necessary to ensure payment.

18 SECTION 3. Notwithstanding any other law, any revenues
19 derived from the taxes imposed pursuant to Section 1 shall not be
20 considered proceeds of taxes for purposes of Article XIII B or
21 considered General Fund revenues or proceeds for purposes of
22 education funding mandated by Article XVI.

23 SECTION 4. This article shall not become operative until the
24 later operative date of the following:

25 (a) An act passed by the Legislature that establishes in statute
26 comprehensive universal single-payer health care coverage and a
27 health care cost control system for the benefit of every resident of
28 the state, and reserves deemed necessary to ensure payment, and
29 identifies the taxes imposed by this article as the funding sources
30 for the coverage, system, and reserves.

31 (b) An act passed by the Legislature that establishes in statute
32 the administration, collection, and enforcement of the taxes
33 imposed by this article.