

# Assembly Constitutional Amendment 11

## Taxation to Fund Health Care Coverage and Cost Control

Assembly Member Ash Kalra

### SUMMARY

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ACA 11 would propose for voter approval a package of taxes to fund a comprehensive universal single-payer health care coverage and a health care cost control system for the benefit of every resident of the state, and reserves deemed necessary to ensure payment.

#### Gross Receipts Tax:

Annual excise tax at 2.3% of gross income above \$2 million for all qualified businesses in the state

#### Payroll Tax:

a) Employer Share: Employers with 50 or more employees to pay 1.25% payroll tax rate on wages and other compensation for their employees

b) Employee Share: Employees earning more than \$49,900 in wages or compensation per year to pay 1% payroll tax for earnings over \$49,900

#### Personal Income Tax on High Earners:

Taxpayers with taxable incomes above \$149,509 will pay an additional income tax based on specified marginal tax rates and adjusted for inflation.

Upon an economic analysis determining insufficient funds, ACA 11 allows the Legislature to increase the proposed taxes by a majority vote.

ACA 11 ensures that the tax revenues raised do not affect the Gann Limit, the Proposition 98 minimum guarantee for schools and community colleges, or reserve calculations under Proposition 2 of 2014.

ACA 11 would not become operative until the Legislature enacts a statutory frame for a universal single-payer system and there is an implementing statute for its tax administration, collection and enforcement.

### BACKGROUND

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Our current fragmented and costly multi-payer health care system is largely funded by employer and household spending. For the middle class, health insurance is the biggest “tax” they pay and their share is only expected to grow if the issue remains unaddressed. According to estimates presented to the Healthy California for All Commission, by 2031 total health spending in California is projected to grow by \$158 billion.

Even with this system in place, millions of Californians remain uninsured and millions more with coverage often delay or cannot access necessary medications or health care services due to cost. Since the COVID-19 pandemic, that number has grown as many workers have lost their employer-based coverage.

To finance a comprehensive single-payer health care system that covers all residents with no additional employer or household spending needed (i.e. premiums, co-pays), systematic change from our inefficient insurance-based payment system and cost controls are needed. States with Legislative Authority can apply for federal waivers to utilize federal funding to finance a state run single-payer system.

### SOLUTION

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The state should ensure Californians’ right to comprehensive health care coverage through equitable funding rather than relying on a person’s ability to pay or employment status. ACA 11 proposes to fund this comprehensive single-payer health care coverage and cost control system using progressive taxation.

Californians will have a choice and the taxes imposed by ACA 11 will result in a net income gain for most low and middle-income individuals by eliminating the “taxes” that they pay to for-profit insurance companies.

# **Assembly Constitutional Amendment**

**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 05, 2022**

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: 2/3 Appropriation: no Fiscal Committee: yes Local Program: no

Resolved by the Assembly, the Senate concurring, That the Legislature of the State of California at its 2021–22 Regular Session commencing on the seventh day of December 2020, two-thirds of the membership of each house concurring, hereby proposes to the people of the State of California, that the Constitution of the State be amended as follows:

**First—** The people of the State of California find and declare all of the following:

(a) Comprehensive health care coverage for every resident of California is a right.

(b) Californians, as individuals, employers, and taxpayers, will greatly benefit from having in place a comprehensive universal single-payer health care system, allowing health care professionals and hospitals to focus on patient care.

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

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

**SEC. 16.** "Appropriations subject to limitation" of each entity of government shall not include appropriations of revenues from the CalCare Trust Fund collected pursuant to Article XIII E 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, and reserves deemed necessary to ensure payment.

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

**Article XIII E Taxation to Fund Health Care Coverage and Cost Control**

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

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

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

(B) In addition to the payroll tax described in subparagraph (A), a payroll tax is hereby imposed on every employer who pays wages or other compensation to resident employees for services performed within or without this state at a rate of 1 percent of the aggregate amount of wages or other compensation paid by the employer to the resident employees in excess of forty-nine thousand nine hundred dollars (\$49,900) per resident employee.

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

(3) (A) In addition to any other tax imposed under the Personal Income Tax Law (Part 10 (commencing with Section 17001) of Division 2 of the Revenue and Taxation Code), there is hereby imposed for each taxable year

upon the entire taxable income of every resident of this state whose income is subject to tax under Section 17041 of the Revenue and Taxation Code, a State Personal Income CalCare Tax in the following amounts and at the following marginal rates upon the amount of taxable income computed for the taxable year as if the resident were a resident of this state for the entire taxable year and for all prior taxable years for any carryover items, deferred income, suspended losses, or suspended deductions:

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

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

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

(b) Notwithstanding Section 3 of Article XIII A or any other provision of this Constitution, upon an economic analysis determining insufficient amounts in the CalCare Trust Fund, established pursuant to Section 2, for the funding of comprehensive universal single-payer health care coverage, a health care cost control system, and necessary reserves, a statute may be passed to increase any or all of the tax rates imposed pursuant to this section by an act approved by a majority vote of the entire membership of each of the two houses of the Legislature.

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

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

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

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

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