



CALIFORNIA TAX INCREASE PROPOSED BUT FACES STRONG OPPOSITION



Last week the Assembly Committee on Health passed Assembly Bill 1400, an estimated \$163 billion measure, which would create a single-payer health care system for all California residents regardless of immigration status. The bill now moves to the Assembly Committee on Appropriations. The ultimate fate of the bill is uncertain given its price tag.

Nevertheless, a proposed constitutional amendment (Assembly Constitutional Amendment 11) would increase taxes by \$12,250 per household, roughly doubling the state's already high tax collections, to fund the single-payer health-care system. The top marginal rate on wage income would increase dramatically to 18.05 percent.

In addition, there would be a new 2.3 percent gross receipts tax, the highest in the nation. The new taxes are intended to fund the \$163 billion per year cost of the proposed single-payer health care system. The new taxes take the form of a surcharge on individual tax rates, a graduated payroll tax and the gross receipts tax for business income over \$2 million.

California businesses may also be looking at an increase in the unemployment tax. California had to borrow from the federal government to pay unemployment benefits after the state fund ran dry during the pandemic. The repayment of the borrowing may cost both the state and private employers billions of dollars.

Even with a plan by Governor Newsom to repay part of the debt, it has been reported that it's not going to be enough to avoid a tax increase for employers. California's Unemployment Insurance Trust Fund is funded by employer contributions but when the fund runs short of money, it relies on low cost borrowing from the federal government. **The current deficit is estimated at about \$19.4 billion according to the Governor's budget.** Business groups are concerned the added taxes will divert funds from needed business operating expenses, including wages and investments.