

Federal health plan creates unexpected tax for some California parents

By Bobby Caina Calvin, Sacramento Bee

Thousands of California parents leaped at the chance to provide health coverage to their grown and uninsured children when a provision in the federal health care law took effect last fall.

Now some of those parents, such as Barry Demant of Folsom, are finding a hidden cost to the new benefit: a bigger tax bill.

A loophole in California's tax law requires the state to levy income taxes on the premiums employers pay to provide health insurance to the non-dependent children of their workers.

Last fall, Demant added his unemployed 25-year-old daughter to his company's group health plan. That meant he no longer had to pay \$180 a month to insure her through a separate individual health policy.

As part of the federal health care law, insurers are required to allow parents to enroll children up to age 26 on their health plans.

"I wanted to give the health care law a chance, and I thought it would be a great opportunity, even if only selfishly, to reduce the amount I pay for her premiums," Demant said.

He found out about the tax when his human resources department told him that a bump in income – and taxes – would soon appear in his paycheck.

In the end, he said, some of the money he thought he was saving could evaporate in the form of increased state tax

payments. Demant would not say exactly how much more he'll be paying in taxes.

As Californians begin preparing personal income tax returns, some lawmakers are pushing to pass a law that would exempt those contributions from being subject to state personal income taxes, as was done on the federal level.

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