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Suhr Risk Services - Legislative Update

Greetings!

I wanted to share this important piece of information with you regarding the Patient Protection and Affordable Care Act (PPACA). Below is an executive summary and attached is the PDF version of the full legislative brief to help you gain a better understanding of the impact of the changes.

Executive Summary

The Patient Protection and Affordable Care Act (PPACA) requires health plans and issuers that offer dependent coverage to make the coverage available until the adult child reaches the age of 26, regardless of full-time student status. When the health care reform law was passed, the federal tax code was also revised to take this new requirement into account. Therefore, for federal tax purposes, the value of employer-provided coverage for these adult children (age 24-26) is excluded from the employee's gross income.

Tax issues arise for employees, and for the employers that administer payroll, when the state income tax laws do not match up to the federal laws. Unfortunately, California is one of the states which currently do not match up to the federal tax laws. This means that group health coverage extended to employees' children who are age 24 or older is considered imputed income to those employees and therefore subject to state taxation.

California Assembly Bill 36, which will bring state income taxes into line with federal changes under the PPACA, will offer retroactive relief from imputed state income tax. The bill is expected to be passed and go to Governor Brown by middle to late March. Suhr Risk will notify our valued clients as soon as additional information becomes available.

This Suhr Risk Services of California Insurance Brokers Legislative Brief describes how to address the tax issues that may impact employer-provided coverage in connection with the health care reform dependent coverage rules.

To read the PDF of the full legislative brief, [click here](#)

If you have any questions or concerns regarding this legislative brief, please feel free to contact me directly at 408-510-5454 or via email at greg.dobson@insuhr.com.
Sincerely,

Greg

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