

**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: April 17, 2013

TO: Honorable Members of the Rules, Elections and Intergovernmental Relations
Committee

FROM: Gerry F. Miller 
Chief Legislative Analyst

Council File: 13-0002-S54
Assignment No.: 13-04-0268

SUBJECT: Resolution (Rosendahl-Wesson-Zine) to support AB 362, which would exempt from state taxation reimbursements provided by California employers to employees in same-sex partnerships.

CLA RECOMMENDATION: Adopt Resolution (Rosendahl-Wesson-Zine) to include in the City's 2013-2014 State Legislative Program SUPPORT of AB 362, which would exempt from state taxation reimbursements provided by California employers to employees in same-sex partnerships.

SUMMARY

Resolution (Rosendahl-Wesson-Zine), introduced April 5, 2013, proposes that the City of Los Angeles support AB 362 (Ting), which would exempt from state taxation reimbursements provided by California employers to employees in same-sex partnerships. Under existing law, employer sponsored health insurance provided to the partners and children of lesbian, gay, bisexual, and transgender employees engaged in same-sex partnerships does not qualify for federal or state tax exemptions. As a result, same sex-couples incur on average an extra \$1,069 in taxes per year. In response to this excessive tax burden, many California employers have adopted the policy of reimbursing their LGBT employees of this federal tax expense. However, under existing law, these reimbursements are subject to state income taxes. As the Resolution (Rosendahl-Wesson-Zine) articulates, AB 362 (Ting) would exempt these reimbursements from state taxation.

BACKGROUND

AB 362, introduced by California State Assembly Member Phil Ting on February 14, 2013, would exempt from state taxation reimbursements provided by California employers to employees in same-sex partnerships. Under existing law, employer sponsored health insurance provided to the partners and children of lesbian, gay, bisexual, and transgender (LGBT) employees engaged in same-sex partnerships does not qualify for federal or state tax exemptions. As a result, same sex-couples incur on average an extra \$1,069 in extra federal taxes per year.

The Defense of Marriage Act (DOMA), enacted September 21, 1996, is a federal law that restricts federal marriage benefits and inter-state marriage recognition to opposite sex marriages. DOMA necessarily prohibits the recognition of same sex partnerships of all types and denies LGBT citizens engaged in same-sex partnerships of over 1,100 of the federal benefits currently enjoyed by opposite sex couples. A growing number of employers have recognized the injustice

of laws such as DOMA and have taken action to help mitigate some of the public costs associated with this legislation. For example, in response to this excessive tax burden, many California employers have adopted the policy of reimbursing their LGBT employees of this federal tax expense. However, under existing law, these reimbursements are subject to state income taxes. AB 362 (Ting) would exempt these reimbursements from state taxation and reinforce California's standing as a state that stands in solidarity with the LGBT community.

DEPARTMENTS NOTIFIED

None

BILL STATUS

02/14/2013	Bill introduced
03/14/2013	Referred to Com. on Rev. and Tax.
04/02/2013	Amended, Re-referred to Com. on Rev. and Tax.
04/03/2013	Re-referred to Committee on Rev. and Tax.



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Analyst

GFM:jb

Attachment: Resolution (Rosendahl-Wesson-Zine)