SYNOPSIS
Requires certain nongovernmental employers to provide health care premium conversion plans for employees; excludes certain employee health care premium conversions from taxation under the gross income tax.

CURRENT VERSION OF TEXT
As introduced.
AN ACT concerning health care premium conversion plans of
certain employees, and providing a gross income tax exclusion
for the health care premium conversion plan benefits of those
employees, supplementing Title 34 of the Revised Statutes and
Title 54A of New Jersey Statutes.

BE IT ENACTED by the Senate and General Assembly of the State
of New Jersey:

1. A nongovernmental employer that employs 11 or more
persons in this State in a calendar year and who provides employer-
sponsored health care coverage for those employees for the calendar
year shall establish a premium conversion plan for that year for
those employees pursuant to section 125 of the federal Internal
Revenue Code of 1986, 26 U.S.C. s.125, that provides for a
reduction in an employee’s salary, through payroll deductions or
otherwise, in exchange for payment by the employer of an
employee’s share of the premiums for that health care coverage.

2. Gross income shall not include amounts paid by an employer
on behalf of and at the election of an employee for the employee’s
share of the premiums for employer-sponsored health care coverage
pursuant to a cafeteria plan meeting the requirements of section 125
of the federal Internal Revenue Code of 1986, 26 U.S.C. s.125, and
required pursuant to section 1 of P.L. ___, c. __ (C. ___) if the amount
so paid is excludable from federal taxable income.

3. This act shall take effect immediately and apply to years
beginning after enactment.

STATEMENT

This bill requires most private sector employers that offer health
care coverage to their employees to also offer them a benefits plan
that allows the employees to pay their share of health care coverage
premiums from pre-tax income instead of taxed income.

“Cafeteria plans,” authorized under section 125 of the federal
Internal Revenue Code of 1986, permit an employer to offer
employees individual choices between certain nontaxable employer-
provided benefits and salary or wages. If the employee chooses to
reduce salary and receive a tax-exempt benefit, there is no federal
income tax or F.I.C.A. wage tax on the amount of the exempt
benefit.

This bill requires all nongovernmental employers with 11 or
more employees that provide their employees with health care
coverage to also provide the employees with a cafeteria plan that
will allow the employees to pay their share of premiums for health
care coverage through cafeteria plan salary reductions. This will
allow the employees to convert their share of premiums from
payments from after-tax income to payments from pre-tax income,
increasing the employees take-home pay.

This bill also provides a New Jersey gross income tax exclusion
for those premium conversions, eliminating the gross income tax on
the employees’ share of health coverage premiums and further
increasing the affordability of their health care coverage.