SENATE, No. 2202

STATE OF NEW JERSEY

212th LEGISLATURE

INTRODUCED SEPTEMBER 25, 2006

Sponsored by:
Senator JOSEPH F. VITALE
District 19 (Middlesex)

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 from pre-tax income.
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.