

# DEPARTMENT OF TAXATION

## 2005 Fiscal Impact Statement

1. **Patron** John A. Cosgrove

2. **Bill Number** HB 1512

3. **Committee** House Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Individual Income Tax: Tax Credit for Certain  
Health Care Practitioners

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would provide an individual income tax credit to health care practitioners who provide free medical services to indigent persons who are unable to pay for the services themselves. The amount of the credit would be equal to 25% of the fee the practitioner would charge for the service, not to exceed \$1,000 annually for any practitioner.

This bill would be effective for taxable years beginning on or after January 1, 2006.

### 6. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

#### 6a. **Expenditure Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Positions</b></i>	<i><b>Fund</b></i>
2004-05	\$0	0	GF
2005-06	\$0	0	GF
2006-07	\$176,070	0	GF
2007-08	\$8,210	0	GF
2008-09	\$8,456	0	GF
2009-10	\$8,710	0	GF
2010-11	\$8,972	0	GF

### 7. **Budget amendment necessary:** No.

### 8. **Fiscal implications:**

The Department would incur administrative costs of \$176,070 in FY 2007, \$8,210 in FY 2008, \$8,456 in FY 1009, \$8,710 in FY 2010 and \$8,972 in FY 2011 for forms and systems development.

The negative revenue impact associated with this bill is unknown. However, based on the number and types of health care practitioners who would be able to donate their services and claim this credit, the revenue loss could be substantial.

**9. Specific agency or political subdivisions affected:**

Department of Taxation

**10. Technical amendment necessary:** Yes.

To parallel the definition of indigent persons to the definition of medically indigent persons as currently defined in the Code of Virginia §32.1-333(C)(1), the following technical amendment is suggested:

Page 1, Line 18 after individuals

Strike: who, either by themselves or by those upon whom they are dependent, are unable to pay for required medical services

Insert: whose gross family income is equal to or less than 100 percent of the federal nonfarm poverty level as published for the then current year in the Code of Federal Regulations

To ensure practitioners do not claim this credit and the Neighborhood Assistance Act tax credit for providing the same medical services, the following technical amendment is suggested:

Page 1, Line 23 after section.

Insert: No individual shall claim a credit allowed pursuant to this section and the credit provided under the Neighborhood Assistance Act (§ 63.2-2000 et seq.) for the same medical services.

**11. Other comments:**

Current Law- Neighborhood Assistance Act

The Neighborhood Assistance Program allows tax credits for business firms and individuals who contribute to approved neighborhood assistance organizations designed to benefit impoverished individuals. The credit can be applied against the income tax imposed on individuals, trusts, estates, and corporations; the bank franchise tax; and the gross receipts tax imposed on insurance and public service corporations.

The total amount of credits the Department of Social Services is authorized to allocate to approved neighborhood assistance organizations is limited to \$8 million in a fiscal year. However, \$2.75 million of this amount must be designated for allocation to education programs. If requests for credits by education programs are less than \$2.75 million, then any remaining amount can be allocated to other programs.

In 2004, several changes were made to the Neighborhood Assistance Program. The credits were made available to eligible health professionals who provide health care services without charge, regardless of where those services are delivered. The Act also was clarified so that clinics operated by a neighborhood organization that receive an allocation of credits may grant such credits to individuals who provide health care services without charge.

Finally, the law was amended to expand the list of eligible health professions to include chiropractors that donate time to perform health care services. Previously, the credits were available only to physicians, dentists, nurses, nurse practitioners, physician assistants, optometrists, dental hygienists, pharmacists, professional counselors, clinical social workers, clinical psychologists, marriage and family therapists and physical therapists who donate time to perform health care services.

### Suggested Amendments

The first technical amendment suggested would define an indigent person under the criteria already established under Virginia Indigent Health Care Trust Fund for defining medically indigent persons. The purpose of the Virginia Indigent Health Care Trust Fund is to distribute funding to certain hospitals for care for medically indigent persons. § 32.1-333(c)(1) defines medically indigent persons as those individuals whose gross family income is equal to or less than 100 percent of the current federal nonfarm poverty level.

The second suggested technical amendment would ensure that an individual would not be allowed to claim a credit allowed pursuant to this section and the credit provided under the Neighborhood Assistance Act, § 63.2-2000 et seq., for the same medical services.

### Proposal

This bill would provide an individual income tax credit to health care practitioners who provide free medical services to indigent persons who are unable to pay for services themselves. The amount of the credit is equal to 25% of the fee the practitioner would charge for the service, not to exceed \$1,000 annually for any practitioner. The credit would be available for taxable years beginning on or after January 1, 2006.

The health practitioners who would qualify for this proposed credit are individuals who are certified or licensed by any of the health regulatory boards within the Department of Health Professions, except individuals regulated by the Board of Funeral Directors and Embalmers or the Board of Veterinary Medicine. This includes individuals certified or licensed by the Board of Health Professions, the Board of Audiology and Speech-Language Pathology, the Board of Counseling, the Board of Dentistry, the Board of Medicine, the Board of Nursing, the Board of Nursing Home Administrators, the Board of Optometry, the Board of Pharmacy, the Board of Physical Therapy, the Board of Psychology, and the Board of Social Work.

cc : Secretary of Finance

Date: 1/15/2005 AMS  
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