

DEPARTMENT OF TAXATION

2006 Fiscal Impact Statement

1. **Patron** Stephen C. Shannon

3. **Committee** House Finance

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

2. **Bill Number** HB 246

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would provide an individual income tax credit to health care practitioners who provide medical services to indigent persons without compensation. The amount of the credit would be equal to 25% of the fee the practitioner would charge for the service, not to exceed \$500 annually for any practitioner.

This bill would be effective for taxable years beginning on or after January 1, 2007.

6. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

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

8. Fiscal implications:

TAX has not assigned any administrative costs to this bill because the changes require by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

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.

This bill does not indicate whether health care practitioners would be permitted to claim both the indigent care tax credit and the Neighborhood Assistance Act tax credit. A technical amendment is suggested to prohibit a double benefit. An amendment also is suggested to clarify the definition of "indigent persons."

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 family Virginia adjusted gross income does not exceed 100% of the poverty guideline amount corresponding to a household of an equal number of persons as listed in the poverty guidelines published during such taxable year, as such terms are defined in § 58.1-339.8

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:

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.

In 2004 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.

Proposal

This bill would provide an individual income tax credit to health care practitioners who provide free medical services to indigent persons, who are defined in this bill as those individuals who, either by themselves or by those upon whom they are dependent, are unable to pay for medical services. The amount of the credit is equal to 25% of the fee the practitioner would charge for the service, not to exceed \$500 annually for any practitioner. The credit would be available for taxable years beginning on or after January 1, 2007.

This bill would require the Tax Commissioner to determine and then describe in the instructions for the individual income tax return what documents the health care practitioner must include in order to verify the delivery and amount of free medical services and the income of the recipient of such services.

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.

Suggested Amendment

This bill does not indicate whether health care practitioners would be permitted to claim both the indigent care tax credit and the Neighborhood Assistance Act tax credit. A technical amendment is suggested to prohibit a double benefit. An amendment also is suggested to clarify the definition of "indigent persons."

Other Legislation

SB 458 is identical to this bill.

cc : Secretary of Finance

Date: 01/24/2006 CHC
HB246F161.doc