

DEPARTMENT OF TAXATION

2015 Fiscal Impact Statement

1. **Patron** John M. O'Bannon, III

3. **Committee** House Finance

4. **Title** Neighborhood Assistance Act Tax Credit;
Eligibility of Physician and Health Care
Professional Specialists

2. **Bill Number** HB 1459

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would allow a physician specialist or other health care professional specialist who donates specialty medical services to patients referred from certain approved neighborhood organizations to be eligible to receive an allocation of Neighborhood Assistance Act Tax Credits from such organizations regardless of where the specialty medical services are delivered. For purposes of determining the amount of credits allowed to such taxpayers, the value of the specialty medical services rendered would be limited to the lesser of the reasonable cost for similar services from other providers or \$125 per hour.

This bill would be effective for fiscal years beginning on or after July 1, 2015.

6. **Budget amendment necessary:** No.

7. **No Fiscal Impact:** (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation and the Department of Social Services consider implementation of this bill as routine, and do not require additional funding.

Revenue Impact

This bill would have no impact on General Fund revenues because it would change the requirements that apply to certain taxpayers receiving the credit, but would not change the annual credit cap.

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

Department of Social Services
Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Current Law

The Virginia Neighborhood Assistance Act provides an income tax credit to business firms and individuals that donate to neighborhood organizations for approved programs that benefit impoverished people. Under this Act, a neighborhood organization is allocated funding through the Neighborhood Assistance Act Program. The Department of Social Services and the Department of Education are responsible for approving programs proposed by neighborhood organizations and allocating Neighborhood Assistance Act Tax Credits to neighborhood organizations with approved programs. An individual or business firm that makes a donation to a neighborhood organization for an approved program is then eligible to receive an income tax credit from that neighborhood organization.

A physician, chiropractor, dentist, nurse, nurse practitioner, physician assistant, optometrist, dental hygienist, professional counselor, clinical social worker, clinical psychologist, marriage and family therapist, physical therapist, or pharmacist who is licensed in Virginia and provides health care services within the scope of his or her licensure, without charge, to patients of certain clinics operated by neighborhood organizations that have received an allocation of credits from the Department of Social Services may be eligible to receive an allocation of credits based on time spent in providing health care services to patients of such clinics, regardless of where the services are delivered. Such clinics are required to be organized in whole or in part for the delivery of health care services without charge or operated as a not-for-profit clinic that provides health care services for charges not exceeding those set forth in a scale prescribed by the State Board of Health for charges to be paid by persons based on ability to pay. For purposes of determining the amount of credits allowed to such taxpayers, the value of the services rendered would be limited to the lesser of the reasonable cost for similar services from other providers or \$125 per hour.

The amount of credits allowed to such taxpayers is equal to 65 percent of the value of the services provided.

Proposed Legislation

This bill would allow a physician specialist or other health care professional specialist who donates specialty medical services to patients referred from certain approved neighborhood organizations to be eligible to receive an allocation of Neighborhood Assistance Act Tax Credits from such organizations regardless of where the specialty medical services are delivered. Such neighborhood organization must:

- Have received an allocation of credits from the Commissioner of the State Department of Social Services;
- Be organized solely to provide specialty medical referral services to patients of participating clinics or federally qualified health centers; and

- Be a tax-exempt nonprofit organization pursuant to Internal Revenue Code § 501(c)(3).

A physician specialist is any physician who has completed formal training in a medical specialty, and is not a general practitioner. Physician specialists and other health care professional specialists may receive Neighborhood Assistance Act Tax Credits under current law, but they are required to work directly for clinics operated by neighborhood organizations. This bill would allow such individuals to receive credits without working directly for a neighborhood organization.

For purposes of determining the amount of credits allowed to such taxpayers, the value of the specialty medical services rendered would be limited to the lesser of the reasonable cost for similar services from other providers or \$125 per hour. This is consistent with the credit amount allowed to physicians and other healthcare professionals under current law.

This bill would be effective for fiscal years beginning on or after July 1, 2015.

Similar Bills

House Bill 1701 would allow a business firm or individual that is eligible for the Neighborhood Assistance Act Tax Credit to agree to a credit equal to less than 65 percent of the qualified donation.

House Bill 1939 would reduce the amount of the Neighborhood Assistance Act Tax Credit from 65 percent of the value of a qualified donation to 60 percent and increase the maximum credit for individuals from \$81,250 to \$81,300.

House Bill 2124 would reduce the amount of the Neighborhood Assistance Act Tax Credit from 65 percent of the value of a qualified donation to 60 percent for donations made during Calendar Year 2016, to 55 percent for donations made during Calendar Year 2017, and to 50 percent for donations made during Calendar Year 2018.

cc : Secretary of Finance

Date: 1/18/2015 MTH
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