

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE

House Bill 1053 (Delegate Hixson. *et al.*)

Ways and Means

Income Tax Credit for Services Donated by Health Care Professionals

This bill allows a State income tax credit for “health care professionals” who donate services to community health organizations providing health care services to low income individuals without charge or for a reduced charge. Community health organizations are authorized to submit proposals to the Department of Health and Mental Hygiene (DHMH) for the allocation of tax credits for use by health care professionals donating their services to the community health organization. The maximum credit amount available for each year is limited to \$5 million.

The bill takes effect July 1, 2000, and applies to all taxable years beginning after December 31, 1999.

Fiscal Summary

State Effect: Annual general fund revenue loss of \$5 million beginning in FY 2001. No effect on expenditures.

(in millions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)
GF Expenditures	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Effect	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - =indeterminate effect

Local Effect: None. The credit is taken against the State income tax only.

Small Business Effect: Minimal.

Analysis

Bill Summary: Health care professionals are defined as any individual who is licensed, certified, or otherwise authorized to provide health care services. The proposals submitted by community health organizations to DHMH are required to set forth the program to be conducted, the low income population to be assisted, the estimated value of services to be donated to the program, and the plans for implementing the program. Upon approval of the plan by DHMH, the community health organization may assign tax credit amounts allocated to the program for a taxable year to health care professionals who donate their services to the approved program.

The amount of the credit that can be claimed by a health care professional is equal to the lesser of 45% of the value of health care services donated during the taxable year or the amount of the credit assigned by the community health organization to the health care professional for the taxable year. No credit may be assigned to a health care professional who donates less than \$1,000 worth of services.

Current Law: No credit of this type exists.

State Fiscal Effect: Total tax credits claimed in tax year 2000 as a result of the bill could be approximately \$41.8 million based on the following facts and assumptions:

- ° according to the Department of Labor, Licensing, and Regulation, there were approximately 194,300 individuals in Maryland employed in health services in calendar 1998, with average hourly wages of \$16.39;
- ° health care professionals that could claim the credit would earn an average hourly wage more than double the average; and
- ° approximately 5% of health care workers donate their services for ten hours per month.

Because the bill limits the amount of credits that can be claimed to \$5 million each year, general fund revenues would decrease by \$5 million annually beginning in fiscal 2001.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller of the Treasury (Bureau of Revenue Estimates);

Department of Health and Mental Hygiene; Department of Labor, Licensing, and Regulation;
Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2000

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