

Department of Legislative Services  
Maryland General Assembly  
2000 Session

**FISCAL NOTE**

Senate Bill 875 (Senator Lawlah)  
Budget and Taxation

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**Tax Incentives for Dentists to Practice in Underserved Areas**

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This bill provides an income tax subtraction modification for 100% of an individual's income derived from practicing dentistry in a "dentally underserved area" of the State, as designated by the Secretary of Health and Mental Hygiene, for five taxable years. The bill also provides a subtraction modification for 100% of the expenses incurred to buy and install equipment for a dental office in a dentally underserved area if the individual agrees to practice in the area for at least three years.

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

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**Fiscal Summary**

**State Effect:** General fund revenues would decrease, depending on the number of dentists currently serving in underserved areas, the number of dentists who would serve in underserved areas, the taxable income of the dentists and the amount of subtractions taken. The reduction is assumed to be significant.

**Local Effect:** Local revenues would decline by approximately 2.67% of the total subtraction taken, or 55% of the State loss for dental wages earned in an underserved area and equipment purchased for use in an underserved area.

**Small Business Effect:** Potential meaningful. Dentists practicing in dentally underserved areas would be able to subtract 100% of their income derived from practicing in these areas.

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**Analysis**

**Current Law:** No subtraction modification of this type exists.

**Background:** The Department of Health and Mental Hygiene (DHMH) does not designate areas underserved by dentists, although, the department does have the information available. According to DHMH, the following areas are currently underserved: Allegany County, Baltimore's homeless population, Caroline County, western Charles County, and Somerset County.

The State Board of Dental Examiners reports that there are 3,500 licensed dentists practicing in Maryland. According to the Department of Labor, Licensing, and Regulation, the mean annual wages of dentists practicing in the State is \$82,290.

**State Fiscal Effect:** The bill's effect on State revenues depends on the number of dentists currently serving in underserved areas, the number of dentists who would serve in underserved areas, the taxable income of the dentists, and the amount of subtractions taken for the purchase and installation of dental equipment. This information is either unknown or is not readily available.

However, for illustrative purposes only, assuming that 10% of all dentists (350) practice in an underserved area, and earn one-half of their income (\$41,145) in such an area by working at an existing dental office in the area, then approximately \$14.4 million could be subtracted annually. Subtractions taken on personal income tax returns result in a reduction of general fund revenues of approximately 4.85% of the subtraction taken. As a result, general fund revenues would decrease by approximately \$698,436 in fiscal 2001.

A dentist who opens an office or outfits an existing office in an underserved area would also be able to subtract the cost of any equipment purchased for the office. As a result, the total cost of the subtraction would be even greater. For example, for each \$10,000 spent on the purchase and installation of dental equipment for a dental office in a dentally underserved area, general fund revenues would decrease by \$485 and local government revenues would decline by \$267.

**Local Fiscal Effect:** Local revenues would decline by approximately 2.67% of the total subtraction taken, or 55% of the State loss for dental wages earned in an underserved area and equipment purchased for use in an underserved area.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1192 (Delegate V. Jones, *et al.*) - Ways and Means

**Information Source(s):** Comptroller of the Treasury (Bureau of Revenue Estimates), Department of Health and Mental Hygiene, State Board of Dental Examiners, Department of Legislative Services

**Fiscal Note History:** First Reader - March 9, 2000  
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