

**Department of Legislative Services**  
 Maryland General Assembly  
 2002 Session

**FISCAL NOTE**

House Bill 561 (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” or local health departments 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 or local health department. The maximum credit amount available for each year is limited to \$250,000.

DHMH, in consultation with the Comptroller, is required to evaluate the effectiveness of the tax credit and report to the Senate Budget and Taxation Committee and the House Ways and Means Committee by November 1, 2004.

The bill takes effect July 1, 2002, and applies to all taxable years beginning after December 31, 2001. The bill sunsets June 30, 2005.

**Fiscal Summary**

**State Effect:** Annual general fund revenue loss of up to \$250,000 beginning in FY 2003. No effect on expenditures.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
GF Revenue	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)

*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.

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## Analysis

**Bill Summary:** A health care professional is defined as an individual providing health care services who is licensed, certified, or otherwise authorized to provide health care services as: (1) an audiologist, hearing aid dispenser, or speech-language pathologist; (2) a dentist; (3) a nurse; (4) an optometrist; (5) a physical therapist; (6) a physician; (7) a physician's assistant; or (8) a social worker. The proposals submitted by community health organizations or local health departments 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 or local health departments 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 25% of the value of health care services donated during the taxable year or the amount of the credit assigned by the community health organization or local health department to the health care professional for the taxable year. No credit may be assigned to a health care professional who donates less than \$3,000 worth of services.

**Current Law:** No credit of this type exists.

**State Fiscal Effect:** The bill limits the amount of credits that may be awarded each year to \$250,000. However, it is estimated that approximately \$11.1 million worth of credits will be applied for in tax year 2002, based on the following facts and assumptions:

- According to the Department of Labor, Licensing, and Regulation, there were approximately 195,500 individuals in Maryland employed in health services in calendar 1999, with average hourly wages of \$16.75. Assuming employment growth of 1.45% and wage growth of 2.6%, there would be approximately 204,135 health services workers in Maryland in 2002 with average wages of approximately \$18.08.
- Health care professionals who could claim the credit earn an average hourly wage more than double the average.

- Approximately 5% of health care workers donate their services for ten hours per month.
- The average credit per worker (assuming 120 hours per year) would be approximately \$4,229 in tax year 2001.
- The credit may be claimed for 25% of the value of services donated.

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### **Additional Information**

**Prior Introductions:** This bill was introduced as HB 292 in the 2001 session. No action was taken by the Senate Budget and Taxation Committee. A similar bill was introduced as HB 1053 during the 2000 session. It received an unfavorable report from the House Ways and Means Committee.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 6, 2002  
mam/jr

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