

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

House Bill 69 (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, 2005.

The bill takes effect July 1, 2003 and applies to all taxable years beginning after December 31, 2002. The bill sunsets June 30, 2006.

Fiscal Summary

State Effect: Annual general fund revenue loss of up to \$250,000 in FY 2004-2006. No effect on expenditures.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
GF Revenue	(\$250,000)	(\$250,000)	(\$250,000)	\$0	\$0
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$250,000)	(\$250,000)	(\$250,000)	\$0	\$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: 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) a physician; (2) a physician's assistant; or (3) 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, to a maximum of \$1,000. No credit may be assigned to a health care professional who donates less than \$3,000 worth of services.

Current Law: No income tax credit of this type exists.

State Fiscal Effect: The bill limits the amount of credits that may be awarded each year to \$250,000. Due to the number of eligible participants, the maximum amount of the credit that may be claimed and the limitation on the total amount of credits that may be claimed, it is assumed that the full \$250,000 in credits will be issued and claimed each year, based on the following facts and assumptions:

- According to the Department of Labor, Licensing, and Regulation, there were approximately 64,140 individuals in Maryland employed as physicians, physician assistants, and social workers in calendar 1998; it is projected that the number of individuals employed in these fields would increase to 81,420 by calendar 2008 (annual increase of approximately 2.5%).
- Assuming that approximately 72,226 individuals are employed as physicians, physician assistants, and social workers in calendar 2003, the maximum \$250,000 could be claimed by either 333 individuals claiming a credit of \$750 (\$3,000 in donated services x 25%) or 250 claiming the maximum \$1,000 credit.

- 333 individuals represent approximately .46% of total estimated employment; 250 individuals represent .35% of total estimated employment.

DHMH advises that its general fund expenditures would increase by \$143,250 in order to fill three full-time positions to administer the tax credit program authorized by the bill. The Department of Legislative Services (DLS), however, advises that because this is a three-year program, rather than a permanent program, and annual participation levels are not yet known, the requirements of the bill could be handled with existing resources. However, should existing resources prove inadequate, the department can request additional positions during the annual budget process.

The Comptroller's Office advises that it would incur an expenditure increase of \$47,600 in fiscal 2004 to make changes to the SMART processing systems and to add the credit to the income tax return. An expenditure of \$49,000 would be required in fiscal 2007 to eliminate the credit from the form. DLS advises that since forms and instructions are updated annually, the cost of these changes could be absorbed within existing resources.

Additional Information

Prior Introductions: This bill was introduced as HB 561 in the 2002 session. No action was taken by the House Ways and Means Committee. It was also introduced as HB 292 in the 2001 session. It passed the House but 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's Office (Bureau of Revenue Estimates), Department of Health and Mental Hygiene, Department of Legislative Services

Fiscal Note History: First Reader - February 4, 2003
lc/jr

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