

Franchise Tax Board

**ANALYSIS OF AMENDED BILL**

Author: Perea Analyst: Jessica Matus Bill Number: AB 248

Related Bills: See Legislative History Telephone: 845-6310 Amended Date: June 13, 2011

Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Physician’s Medical Services Credit

**SUMMARY**

This bill would allow an income tax credit for a physician or surgeon who provides emergency medical services.

**RECOMMENDATION AND SUPPORTING ARGUMENTS**

No position.

**Summary of Amendments**

The June 13, 2011, amendments removed provisions that would have made changes related to the management of research facilities and replaced them with the provisions to allow a tax credit to physicians or surgeons for services provided at a discounted rate. This is the department’s first analysis of the bill.

**Summary of Suggested Amendments**

The bill language contains unnecessary language. An amendment has been provided under “Technical Considerations” below.

**PURPOSE OF THE BILL**

It appears the purpose of this bill is to increase the availability of medical care, by providing an incentive for physicians or surgeons to provide services at a reduced or free rate.

**EFFECTIVE/OPERATIVE DATE**

As a tax levy, this bill would be effective immediately upon enactment and is specifically operative for taxable years beginning on or after January 1, 2012, and before January 1, 2017.

Board Position:	Executive Officer	Date
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## **ANALYSIS**

### **FEDERAL/STATE LAW**

Existing federal and state laws provide various tax credits designed to provide tax relief for taxpayers who incur certain expenses (e.g., child adoption) or to influence behavior, including business practices and decisions (e.g., research credits or economic development area hiring credits). These credits generally are designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise undertake.

### **THIS BILL**

For each taxable year beginning on or after January 1, 2012, and before January 1, 2017, this bill would allow a personal income tax credit equal to 25 percent of the value of qualified medical services personally provided by a qualified taxpayer during the taxable year. The maximum amount of the credit allowed to a qualified taxpayer would be \$5,000 per taxable year.

This bill provides the following definitions:

- “Qualified taxpayer” means a physician or surgeon licensed by the Medical Board of California or the Osteopathic Medical Board of California.
- “Qualified medical services” means either (1) medical services provided by a qualified taxpayer free of charge or at a reduced rate at a local community clinic, or (2) emergency medical services provided by a qualified taxpayer free of charge or at a reduced rate in an emergency department of a general acute care hospital licensed pursuant to Section 1250 of the Health and Safety Code.
- “Local community clinic” means a community clinic or free clinic as defined in Section 1204 of the Health and Safety Code.
- “Emergency medical services” means “emergency services and care” as that term is defined in Section 1317.1 of the Health and Safety Code.

In addition, this bill would do the following:

- Require the value of medical services to be determined according to the usual, reasonable, and customary rate as described in Section 1300.71(a)(3)(B) of Title 28 of the California Code of Regulations. For medical services provided at a reduced rate, this bill would require the amount used to calculate the value of the medical services to be the difference between the usual, reasonable, and customary rate as specified in the previous sentence, and the reduced rate charged.
- Require the local community clinic or general acute care hospital to provide documentation to the qualified taxpayer regarding the value of the services provided.
- Prohibit any other credit or deduction for any amount for which a credit is claimed under this bill.
- Allow the credit allowed by this bill to be carried over for the succeeding eight taxable years, or until exhausted, whichever occurs first.
- Remain in effect only until December 1, 2017, and as of that date be repealed.

## IMPLEMENTATION CONSIDERATIONS

Implementing this bill would occur during the department's normal annual update.

## TECHNICAL CONSIDERATIONS

On page 3, line 10-11, delete "However, any unused credit may continue to be carried forward, as provided in subdivision (g)." This language is unnecessary because current law already allows a credit to be carried forward even after the law is repealed.

## LEGISLATIVE HISTORY

AB 895 (Halderman & Portantino, 2011/2012), identical to this bill, would have provided an income tax credit for physicians and surgeons who provide qualified medical services for free or at a reduced rate. AB 895 is currently being held under submission in the Assembly Revenue and Taxation Committee.

SBX1 20 (Runner, 2007/2008) would have provided an income tax credit for primary care providers. This bill was held in the Senate Health Committee without action.

SBX1 21 (Cogdill, 2007/2008) would have provided a tax credit for a medical care professional that provides medical care in a rural area. This bill failed to pass out of the Senate Health Committee.

SB 1026 (Calderon, 2007) would have provided an income tax credit for a "qualified health care provider" in an amount equal to the amount paid or incurred during a taxable year to provide health care to residents of the state whose health care is not covered by a health care service plan or health insurance. This bill was held in the Senate Health Committee.

AB 293 (Maze, 2005/2006) would have allowed an income tax credit for doctors that treat Medi-Cal beneficiaries in specified counties. This bill failed to pass out of the Assembly Revenue and Taxation Committee.

AB 2164 (Cogdill, 2001/2002) would have provided an income tax credit for medical care professionals who work in rural communities. This bill failed to pass out of the Assembly Revenue and Taxation Committee.

## OTHER STATES' INFORMATION

Review of *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York* laws found no comparable tax credits to that proposed by this bill. These states were reviewed because of their similarities between California's income tax laws and their tax laws.

## FISCAL IMPACT

This bill would not significantly impact the department's costs.

## **ECONOMIC IMPACT**

### Revenue Estimate

Estimated Revenue Impact of AB 248 For Taxable Years Beginning On or After January 1, 2012 and Before January 1, 2017 Enactment Assumed After June 30, 2011 (\$ in Millions)		
2011-12	2012-13	2013-14
-\$28	-\$50	-\$50

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill.

### **SUPPORT/OPPOSITION**

Support: None provided.

Opposition: None provided.

### **ARGUMENTS**

Pro: This bill could increase the availability of medical care and, as a result, save lives.

Con: Some may argue that our fiscal environment is uncertain, and the State needs to refrain from any additional tax expenditures.

### **LEGISLATIVE STAFF CONTACT**

Jessica Matus

Legislative Analyst, FTB

(916) 845-6310

[jessica.matus@ftb.ca.gov](mailto:jessica.matus@ftb.ca.gov)

Patrice Gau-Johnson

Asst. Legislative Director, FTB

(916) 845-5521

[patrice.gau-johnson@ftb.ca.gov](mailto:patrice.gau-johnson@ftb.ca.gov)