

SUMMARY ANALYSIS OF AMENDED BILL

Author: Pan Analyst: Jessica Deitchman Bill Number: AB 2514
 Related Bills: See Prior Analysis Telephone: 845-6310 Amended Date: May 15, 2014
 Attorney: Bruce Langston Sponsor: _____

SUBJECT: Health Professionals Student Loan Credit

SUMMARY

This bill would, under the Personal Income Tax Law, provide a tax credit for certain health care professionals.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The May 15, 2014, amendments, made changes to the calculation of the credit, modified the operative and sunset date, changed the recapture provision and definitions, and precluded taxpayers from getting multiple benefits on the same item of expense. As a result of the amendments, one of the implementation concerns, and all of the technical considerations and policy concerns as discussed in the department’s analysis of the bill as amended April 1, 2014, have been resolved, and the department has identified additional technical amendments. Except for the “Effective/Operative Date,” “This Bill,” and “Economic Impact” sections, the remainder of the department’s analysis of the bill as amended April 1, 2014, still applies. For convenience, all existing concerns, and the “Fiscal Impact” are provided below. The remainder of the department’s analysis of the bill as amended April 1, 2014 still applies.

EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would be effective immediately upon enactment and specifically operative for taxable years beginning on or after January 1, 2015, and before January 1, 2020.

ANALYSIS

THIS BILL

For taxable years beginning on or after January 1, 2015, and before January 1, 2020, this bill would provide a tax credit equal to the amount of the student loan payments made by the qualified taxpayer during the taxable year, not to exceed one-third of the remaining balance of the qualified taxpayer’s student loan as of January 1 of the taxable year in which the credit is allowed.

Board Position: <input type="checkbox"/> S <input type="checkbox"/> NA <input checked="" type="checkbox"/> NP <input type="checkbox"/> SA <input type="checkbox"/> O <input type="checkbox"/> NAR <input type="checkbox"/> N <input type="checkbox"/> OUA	<table style="width: 100%; border: none;"> <tr> <td style="width: 70%;">Asst. Legislative Director</td> <td style="width: 30%;">Date</td> </tr> <tr> <td>Rachel Hallgren</td> <td>5/21/14</td> </tr> <tr> <td>For Jahna Carlson</td> <td></td> </tr> </table>	Asst. Legislative Director	Date	Rachel Hallgren	5/21/14	For Jahna Carlson	
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For Jahna Carlson							

The bill would define the following terms:

- “Qualified taxpayer” means an individual that meets the following requirements:
 - Is a dentist, physician, physician assistant, or advanced practice nurse who is licensed or certified to practice in California.
 - Resides and practices full-time in a rural health care professional shortage area and has committed to residing and practicing in that area for at least three years pursuant to an agreement between him or her and the State Department of Health Care services.
 - Is a borrower on student loans under a recognized loan program used by him or her for higher education opportunities resulting in a graduate or professional degree that enables him or her to be licensed or certified as a health care professional in this state.
- “Full-time” means at least 20 hours per week on average for 180 days for the first taxable year in which a credit is allowed and at least 20 hours per week on average for at least 10 months in subsequent taxable years.
- “Health care professional shortage area” means either:
 - any area of the state that is not a metropolitan statistical area¹ and that is located 30 or more miles from the nearest hospital containing 30 or more licensed beds, or
 - a medically underserved area, as defined in Section 128552 of the Health and Safety Code.
- “Student loan” means a student obligation note or other debt evidencing a loan to any individual for higher education purposes², which is a guaranteed student loan, an educational loan, or a loan eligible for consolidation or refinancing under the higher education act.³

A credit would only be allowed for the taxable years in which:

- The qualified taxpayer is not delinquent on his or her student loan payments.
- The qualified taxpayer resides and practices in the health care professional shortage area pursuant to an agreement with the State Department of Health Care Services.
- The qualified taxpayer’s student loan has an outstanding balance for at least part of the taxable year.

¹ As described in the publication “State and Metropolitan Area Data Book,” 2010, published by the United States Census Bureau.

² Or for the purposes of consolidating or refinancing a loan for higher education purposes.

³ Under Park B of Title IV of the Higher education act of 1965, as amended.

The bill would provide a recapture provision if:

- The qualified taxpayer ceases to reside and practice within a health care professional shortage area, or
- The qualified taxpayer pays off his or her student loan in full by means of any other loan repayment program.

The tax imposed by this part for the taxable year in which that cessation occurs would be increased by an amount equal to the credit allowed under this section that was applied to reduce tax otherwise payable under this part by the qualified taxpayer. Additionally, any unused credit carried over by the qualified taxpayer would be forfeited.

A credit may be allowed for five consecutive taxable years and any unused credits may be carried over for up to six years or until exhausted.

The credit allowed by this section would be in lieu of any other deduction or credit which the qualified taxpayer may otherwise claim pursuant to this part with respect to the same item of expense.

The State Department of Health Care Services and the Franchise Tax Board (FTB) would promulgate rules and regulations as necessary or appropriate to implement this bill.

This credit would be repealed on December 1, 2020.

IMPLEMENTATION CONSIDERATIONS

The bill requires that in order to claim the credit the qualified taxpayer must not be delinquent on their student loan payments. It is unclear how the FTB would know that the taxpayer is not delinquent on the loans for which they are taking a credit. It is recommended the bill be amended to clarify that documentation be provided to the FTB when the qualified taxpayer claims the credit.

The bill fails to specify the detail that must be included in the agreement to practice and reside in a rural health care shortage area or when and how often the agreement must be updated, and whether and when the State Department of Health Care Services would be required to report to the FTB. It is recommended the bill be amended to specify these requirements of the agreement.

TECHNICAL CONSIDERATIONS

Amendments 1-3 are provided for clarity and consistency.

FISCAL IMPACT

The costs to administer this bill have yet to be determined. As the bill continues to move through the legislative process and the implementation concerns are resolved, costs will be identified and an appropriation will be requested, if necessary.

ECONOMIC IMPACT

Revenue Estimate

Estimated Revenue Impact of AB 2514 As Amended May 15, 2014 Assumed Enactment After June 30, 2014 (\$ in Millions)		
2014-15	2015-16	2016-17
- \$1.8	- \$3.3	- \$3.4

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

SUPPORT/OPPOSITION⁴

Support: Union of American Physicians and Dentists (co-sponsor), American Federation of State, County and Municipal Employees, AFL-CIO, Association of California Healthcare Districts, California Arthritis Foundation Council, California Chapter of the American College of Emergency Physicians, California Rheumatology Alliance, Rural County Representatives of California and 11 individuals.

Opposition: California Tax Reform Association.

LEGISLATIVE STAFF CONTACT

Jessica Deitchman

Legislative Analyst, FTB

(916) 845-6310

jessica.deitchman@ftb.ca.gov

Mandy Hayes

Revenue Manager, FTB

(916) 845-5125

mandy.hayes@ftb.ca.gov

Jahna Carlson

Asst. Legislative Director, FTB

(916) 845-5683

jahna.carlson@ftb.ca.gov

⁴ From the Assembly Committee Analysis Dated May 12, 2014.

Analyst	Jessica Deitchman
Telephone #	(916) 845-6310
Attorney	Bruce Langston

PROPOSED AMENDMENTS TO AB 2514
AS AMENDED MAY 15, 2014

Amendment 1

On page 3, line 6, strikeout "rural"

Amendment 2

On page 2, line 17, after "(2)" strikeout "of the qualified taxpayer's student loans"

Amendment 3

On page 4, line 10, after "area" insert:

before the end of the period that he or she has agreed to reside and practice in pursuant to the agreement described in subparagraph (B) of paragraph (2) of subdivision (b)

Amendment 4

On page 4, line 13, before "occurs" insert:

or that payment in full by means of any other loan repayment program