



Analysis of Amended Bill

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Sponsor:

Bill Number: SB 1241

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Amended: March 19, 2018 and
April 2, 2018

Attorney: Bruce Langston

Related Bills: See Legislative
History

Subject: Refundable Credit for Medical & Dental Professionals Who Volunteer for Nonprofit Health Clinics

Summary

This bill would, under the Personal Income Tax Law, create a refundable tax credit for licensed medical professionals who volunteer for a minimum number of hours, at specified health clinics in the state.

Recommendation – No position.

Summary of Amendments

The March 19, 2018, amendments removed provisions of the bill that would have made a nonsubstantive technical change to the Revenue and Taxation Code and replaced them with the provisions discussed in this analysis.

The April 2, 2018, amendments modified the defined term “qualified taxpayer.”

This is the department’s first analysis of the bill.

Reason for the Bill

The reason for the bill is to encourage health professionals to volunteer in underserved communities and thus provide much needed access to healthcare for Californians.

Effective/Operative Date

This bill would become effective January 1, 2019, and specifically operative for taxable years beginning on or after January 1, 2019.

Federal/State Law

Existing state and federal 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.

Current federal and state laws lack a comparable credit for health professionals that volunteer for a nonprofit licensed health clinic.

This Bill

This bill would, for each taxable year beginning on or after January 1, 2019, allow a qualified taxpayer an income tax credit in an amount equal to \$2,500.

“Qualified taxpayer” would be defined as a physician and surgeon, nurse practitioner, physician’s assistant, optometrist, or dentist who is licensed and practices within his or her scope of practice for at least 40 hours during the taxable year as a volunteer for a nonprofit licensed health clinic located in California.

If the amount of the credit exceeds the tax liability, the excess would be credited against other amounts due, and any remaining balance would be refunded to the taxpayer from the Tax Relief and Refund Account.

The credit would be excluded from the provisions of Section 41.

Implementation Considerations

The department has identified the following implementation concerns. Department staff is available to work with the author’s office to resolve these and other concerns that may be identified.

This bill uses phrases that are undefined, i.e., “nonprofit licensed health care clinic” and “practices within his or her scope of practice.” The absence of definitions to clarify these phrases could lead to disputes with taxpayers and would complicate the administration of this bill. The author may want to amend the bill to clearly define the phrases.

The definition of “qualified taxpayer” may be more broadly interpreted than the author intends. For clarity and to avoid disputes between taxpayers and the department, the author may wish to consider amending the bill to define each occupation in connection to its respective licensing board.

Typically, credits involving areas for which the department lacks expertise are certified by another agency or agencies that possess the relevant expertise. The certification language would specify the responsibilities of both the certifying agency and the taxpayer. It is recommended that this bill be amended to include a certifying agency. The author should consider that the clinic provide certification to the taxpayer where the volunteer work is provided.

Legislative History

AB 2148 (Tran, 2009/2010) would have allowed physicians to deduct the value of medical services contributed free of charge to community clinics. AB 2148 failed to pass out of the Assembly by the constitutional deadline.

Other States' Information

Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York laws do not provide a credit comparable to the credit allowed by this bill. The laws of these states were selected due to their similarities to California's economy, business entity types, and tax laws.

Fiscal Impact

The department's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be identified.

Economic Impact

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of SB 1241 as Amended April 2, 2018
For Taxable Years Beginning On or After January 1, 2019
Assumed Enactment after June 30, 2018

(\$ in Millions)

Fiscal Year	Revenue
2018-2019	- \$3.6
2019-2020	- \$7.5
2020-2021	- \$9.8

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

Revenue Discussion

According to data from the Bureau of Labor Statistics, there would be approximately 150,000 "qualified taxpayers" licensed and working in California in 2019 in the fields specified in the bill. Using data from the Census Bureau's Current Population Survey Volunteers Supplement, it is estimated that 1.5 percent of individuals working in the specified fields would volunteer for more than 40 hours in 2019. The estimate assumes that a refundable credit would incentivize more individuals to volunteer and by the 2023 taxable year 5 percent of individuals in the specified fields would volunteer for more than 40 hours a year. The resulting revenue loss is

\$6 million in 2019 growing to \$22 million by 2023. The tax-year estimates are converted to fiscal-year estimates, and then rounded to arrive at the amounts reflected in the above table.

Support/Opposition

Support: None provided.

Opposition: None provided.

Arguments

Proponents: Some may argue that providing a tax credit to certain healthcare professionals for volunteering would encourage those professionals to continue to volunteer in underserved communities and thus provide much needed access to healthcare for Californians.

Opponents: Some may argue that the credit's focus is overly narrow and should be expanded to other certified or licensed professions that would benefit California's underserved communities.

Policy Concerns

This bill lacks a sunset date. Sunset dates generally are provided to allow periodic review of the effectiveness of a credit by the Legislature.

Historically, refundable credits, such as the former state renter's credit and the Earned Income Credit, have had significant problems with improper payments. These problems are aggravated if a refund is made that is later determined to be fraudulent. In such cases, the refund commonly cannot be recovered.

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