



## Summary Analysis of Amended Bill

Author: Nguyen

Sponsor:

Bill Number: SB 1241

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Amended: April 16, 2018

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Related Bills: See Prior Analysis

**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 April 16, 2018, amendments modified the definition of qualified taxpayer. As a result of the amendments, the “This Bill” and “Economic Impact” sections of the department’s analysis of the bill as amended April 2, 2018, have been revised. The remainder of that analysis still applies. The “Implementation Considerations,” “Fiscal Impact,” and “Policy Concerns” sections have been restated below for convenience.

### 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, podiatrist, 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.

## 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 16, 2018  
For Taxable Years Beginning On or After January 1, 2019  
Assumed Enactment after June 30, 2018

(\$ in Millions)

Fiscal Year	Revenue
2018-2019	- \$3.7
2019-2020	- \$7.6
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 152,000 “qualified taxpayers” licensed and working in California in the fields specified in the proposal in 2019. Using data from the Census Bureau’s Current Population Survey Volunteers Supplement, it is estimated that 1.5 percent of individuals working in qualified 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 qualified fields would volunteer for more than 40 hours a year. Because this credit is refundable, it is assumed that all qualified volunteers would generate the maximum credit amount of \$2,500. The resulting revenue loss is \$6.3 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.

### 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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