



Summary Analysis of Amended Bill

Author: Nguyen & Quirk-Silva Sponsor: Bill Number: SB 1241
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Attorney: Bruce Langston 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 May 1, 2018, amendments modified the amount of the credit and definitions, and added a new definition. As a result of the amendments, one of the implementation considerations provided in the department’s analysis of the bill as amended April 16, 2018, has been resolved. Except for the “This Bill,” “Implementation Considerations,” and “Economic Impact” sections, the remainder of that analysis still applies. The “Policy Concerns” and “Fiscal Impact” sections are restated below for convenience.

This Bill

This bill would, for each taxable year beginning on or after January 1, 2019, allow a tax credit to a qualified taxpayer. The amount of the credit would be as follows:

- \$2,500 for a qualified taxpayer filing as head of household, surviving spouse, or spouses filing a joint return, if adjusted gross income is \$500,000 or less.
- \$2,500 for a qualified taxpayer filing a return other than described above, if adjusted gross income is \$250,000 or less.

“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 pursuant to Division 2¹ of the Business and Professions Code for at

¹ Commencing with Section 500.

least 100 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. A nonprofit licensed health clinic would be required to provide a document to the qualified taxpayer that states the number of volunteer hours performed by the qualified taxpayer at the nonprofit licensed health clinic. Upon request by the Franchise Tax Board (FTB), the qualified taxpayer would be required to provide the document to the FTB.

“Nonprofit licensed health clinic” means a community clinic or free clinic, as defined in Section 1204 of the Health and Safety Code.²

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.

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 that would certify that the taxpayer volunteered for the specified hours and worked “within their scope of practice.”

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.

² Licensed by the State Department of Public Health.

Economic Impact

Revenue Estimate

This bill would result in the following revenue loss:

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

(\$ in Millions)

Fiscal Year	Revenue
2018-2019	- \$0.5
2019-2020	- \$1.0
2020-2021	- \$1.2

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 bill in 2019. Using data from the Census Bureau’s Current Population Survey Volunteers Supplement, it is estimated that 0.25 percent of individuals working in qualified fields would volunteer for more than 100 hours in 2019. The estimate assumes that a refundable credit would incentivize more individuals to volunteer and by the 2023 taxable year 0.5 percent of individuals in qualified fields would volunteer for more than 100 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 \$1 million in 2019 growing to \$1.7 million by 2023.

The tax-year estimates are converted to fiscal-year estimates, and rounded to arrive at the amounts reflected in the above table.

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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