STATE OF CALIFORNIA
Franchise Tax Board

Bill Analysis

Author: Tangipa

Sponsor:

Bill Number: AB 1431

Related Bills: See Legislative History

Introduced: February 21, 2025

SUBJECT

Rural Medical Care Professionals Tax Credit

SUMMARY

This bill, under the Personal Income Tax Law (PITL), for each taxable year beginning on or after January 1, 2025, and before January 1, 2032, would allow a tax credit to a qualified taxpayer for moneys paid by an employer for medical services performed in a rural area in the state by the qualified taxpayer and authorized under the qualified taxpayer's license.

RECOMMENDATION

No position—The three-member Franchise Tax Board has not formally voted or taken a position on this bill.

SUMMARY OF AMENDMENTS

Not applicable.

REASON FOR THE BILL

The reason for the bill is to provide a tax credit to employees providing medical services in rural areas.

ANALYSIS

Under the PITL, for each taxable year beginning on or after January 1, 2025, and before January 1, 2032, this bill would allow a tax credit to a qualified taxpayer equal to the taxpayer's qualified income, not to exceed $5,000 per taxable year.

The bill defines the following terms:

- "Qualified income" means moneys paid by an employer to a qualified taxpayer for medical services performed in a rural area in the state by the qualified taxpayer and authorized under the qualified taxpayer's license.
- "Qualified taxpayer" means an individual who is licensed in the state as any of the following professions under Division 2 of the Business and Professions Code:
    - A dental hygienist licensed under Article 9 of Chapter 4.
    - A certified nurse-midwife licensed under Article 2.5 of Chapter 6.
    - A chiropractor licensed under Chapter 2.
    - A dentist, including a dentist that performs oral and maxillofacial surgery, licensed under Chapter 4.
    - A doctor of podiatric medicine licensed under Article 22 of Chapter 5.
    - An optometrist licensed under Chapter 7.
    - An osteopathic physician and surgeon licensed under Article 4.5 of Chapter 5.
    - A physical therapist licensed under Chapter 5.7.
    - A physician and surgeon licensed under Chapter 5.
    - A physician assistant licensed under Chapter 7.7.
    - A psychologist licensed under Chapter 6.6.
    - A registered nurse or nurse practitioner licensed under Chapter 6.
    - A speech-language pathologist or audiologist licensed under Chapter 5.3.
- "Rural area" as defined in the Health and Safety Code (HSC) section 50199.21.

The bill specifies that any deduction or credit otherwise allowed, for any amount of qualified income upon which the credit is based, must be reduced by the amount of this credit.

Unused credits may be carried over for eight years until the credit is exhausted.

This bill would require that qualified taxpayers report to the Franchise Tax Board (FTB), upon request, and in the form and manner specified by the board, any information regarding allowed credits that is necessary for the FTB to administer the credit.

This credit would be repealed on December 1, 2032.

The bill includes Revenue and Taxation Code (RTC) section 41 requirements and provides that the purpose of this credit is to encourage the urban medical providers to offer care in underserved rural areas, which would improve access to essential health care services.

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, 2025, and before January 1, 2032.

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 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 state and federal laws generally allow taxpayers engaged in a trade or business to deduct all expenses that are considered ordinary and necessary in conducting that trade or business.

Currently, there are no federal or state credits comparable to the credit this bill would create.

Section 41

Under existing state law, legislation that would create a new tax expenditure, which includes a credit, deduction, exemption, or any other tax benefit as provided for by the state, is required to include specific goals, purposes, objectives, detailed performance indicators and data collection requirement measures to allow the Legislature to evaluate the effectiveness of the tax benefit. Legislation that would create an income exclusion is not required to provide detailed performance indicators and data collection requirement measures if the Legislature determines there is no available data to collect and report.

Implementation Considerations

None noted.

Technical Considerations

The FTB has identified the following technical considerations and is available to work with the author’s office to resolve these and other considerations that may be identified.

For consistency of terminology and clarity the following changes are recommended:

- In Section 17058.5, consider replacing the term “moneys paid” in section (b)(1) with “wages paid or incurred.”
- In Section 17058.8, it is recommended that “licensed” be added before “pursuant to” in (b)(2)(I).
- In Section 17058.5, it is recommended that the phrase “the board” be replaced with “the Franchise Tax Board.”

Policy Considerations

This bill would create a new tax expenditure in the form of a tax credit. As such, this bill is required to include detailed performance indicators and data collection requirement measures to allow the Legislature to evaluate the effectiveness of the tax benefit. The author may wish to amend the bill to include detailed performance indicators and data collection requirement measures to allow the Legislature to evaluate the effectiveness of the tax expenditure.

This bill would limit the credit to employees of employers. It would not allow the credit for self-employed individuals or independent contractors. If this is contrary to the author’s intent, the author may wish to amend the bill.

LEGISLATIVE HISTORY

AB 918 (Ransom, 2025/2026), under the PITL, would for taxable years beginning on or after January 1, 2025, and before January 1, 2030, exclude from gross income qualified wages of a qualified first responder. This bill is currently in the committee process and has been placed in the suspense file.

AB 1057 (Rodriguez, 2025/2026), under the PITL, would for taxable years beginning on or after January 1, 2025, and before January 1, 2030, exclude from gross income qualified overtime wages of a qualified first responder. This bill has been referred to the Assembly Revenue and Taxation Committee.

AB 1124 (Bains, 2025/2026), under the PITL, would for taxable years beginning on or after January 1, 2025, and before January 1, 2030, exclude from gross income qualified overtime wages of a qualified first responder. This bill has been referred to the Assembly Revenue and Taxation Committee.

AB 1456 (Patterson, 2023/2024) would have, under the PITL, and the Corporation Tax Law (CTL), allowed a qualified taxpayer, a $500 credit per qualified guest lecture, not to exceed $1000 per taxable year. AB 1456 did not pass out of the Assembly by the Constitutional deadline.

AB 895 (Halderman & Portantino, 2011/2012), would have allowed an income tax credit for a physician and surgeon who provides emergency medical services, as specified. AB 895 did not pass out of the Assembly by the Constitutional deadline.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

FTB'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 AB 1431 as Introduced February 21, 2025
Assumed Enactment after June 30, 2025

($ in Millions)

Fiscal Year	Revenue
2025-2026	-$180
2026-2027	-$120
2027-2028	-$120

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.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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