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Senate Bill 43 (as introduced 1-25-05)
Sponsor: Senator Buzz Thomas
Committee: Finance

Date Completed: 6-8-05

CONTENT

The bill would amend the Income Tax Act to do the following:

- Allow a physician with a medical care practice in a health professional shortage area to claim a \$5,000 tax credit for up to five consecutive tax years.**
- Reduce the amount of the credit for a physician with a part-time practice.**
- Allow a physician to claim the credit within an eight-year period if he or she interrupted his or her practice for a continuing education program or a sabbatical.**
- Require the Department of Community Health to certify whether a taxpayer was qualified to claim the credit.**

Specifically, for tax years beginning after December 31, 2004, a qualified taxpayer with a full-time or part-time medical care practice could credit \$5,000 against the income tax for a maximum of five consecutive tax years. A credit claimed by a taxpayer with a part-time practice would have to equal \$5,000 multiplied by a fraction whose numerator was the average number of hours per week of the practice and whose denominator was 40.

The bill would define "qualified taxpayer" as a physician who provides primary care to patients as part of his or her full-time (40 or more hours per week) or part-time (less than 40 hours per week) medical care practice in a designated area. "Designated area" would mean a health professional shortage area as certified by the Director of the Department of Community Health (DCH).

A qualified taxpayer who was participating in the Michigan Essential Health Provider Program or J-1 Visa program could claim the credit only in the five tax years beginning in the year after which the taxpayer had completed his or her obligation under that program. (Those programs are described below.)

If a qualified taxpayer interrupted his or her full- or part-time medical care practice to participate in a continuing education program or a medically related sabbatical that lasted more than one year, the taxpayer could claim the credit for any five tax years within the eight consecutive tax years that included the program or the sabbatical and that began with the first year that the taxpayer claimed a credit under the bill.

If the credit for a tax year and any unused carryforward of the credit exceeded the taxpayer's tax liability for the tax year, the excess portion of the credit could not be refunded but could be carried forward to offset tax liability in subsequent tax years for five years or until used up, whichever occurred first.

If, after a qualified taxpayer had claimed a credit, the DCH changed the designation of the area where the taxpayer's practice was located from a designated area to a nondesignated area, the taxpayer could continue to claim the credit as if the designation had not been changed.

The DCH would be required to certify to the Department of Treasury whether a taxpayer who claimed a credit was a qualified taxpayer or (as provided above) was a physician who had a full- or part-time medical care practice in a nondesignated area.

A taxpayer who claimed a credit under the bill would have to attach to his or her annual return on which the credit was claimed an affidavit stating that he or she met all of the conditions and criteria for claiming the credit. The affidavit would have to be in a form prescribed by the Department of Treasury or contain substantially the same information.

(The Michigan Essential Health Provider Recruitment Strategy Act provides for the Essential Health Provider Program in the DCH to facilitate the placement and retention of physicians and other health professionals in health resource shortage areas. The J-1 Visa program is administered by the U.S. Department of Health and Human Services and allows the waiver of the two-year residence requirement of the Exchange Visitor Program based on clinical care practice in shortage areas. Participating states receive 30 waivers per year.)

Proposed MCL 206.272

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

Based on preliminary estimates of the number of doctors currently serving in a designated shortage area, it is estimated that this bill would reduce income tax revenue in the range of \$2 million to \$4 million on a full fiscal year basis. This loss in income tax revenue would primarily affect the General Fund budget.

The Department of Community Health could incur slight administrative costs verifying the status of qualified taxpayers, as defined in the bill, to the Department of Treasury.

Fiscal Analyst: Jay Wortley
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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.