

HOUSE BILL 40

Q3

71r0495

By: **Delegates Hixson, Cardin, Doory, Gilchrist, Howard, Ivey, Kaiser, N. King, Krebs, Olszewski, Rice, Stukes, and F. Turner**

Introduced and read first time: January 18, 2007

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax Credit for Services Donated to Community Health Organizations**

3 FOR the purpose of allowing a credit against the State income tax for certain health
4 care professionals who donate services to certain organizations providing health
5 care services to low-income individuals on a certain basis; allowing certain
6 community health organizations to submit proposals to the Department of
7 Health and Mental Hygiene for allocation of the available credit for approved
8 programs; allowing a community health organization to assign the tax credit
9 allocated to the organization's program to certain health care professionals who
10 donate services to the community health organization's approved program;
11 requiring the Department to certify to the State Comptroller the applicability of
12 the credit for each health care professional; limiting the total available credit
13 that may be allocated for each taxable year; requiring the Department to adopt
14 certain regulations; defining certain terms; requiring a certain study to be done
15 and provided to certain committees of the General Assembly on or before a
16 certain date; providing for the application of this Act; providing for the
17 termination of this Act; and generally relating to a credit against the State
18 income tax for certain health care professionals who donate services to certain
19 organizations providing health care services to low-income individuals.

20 BY adding to

21 Article – Tax – General

22 Section 10-726

23 Annotated Code of Maryland

24 (2004 Replacement Volume and 2006 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
2 MARYLAND, That the Laws of Maryland read as follows:

3 **Article – Tax – General**

4 **10-726.**

5 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE
6 MEANINGS INDICATED.

7 (2) “COMMUNITY HEALTH ORGANIZATION” MEANS A LOCAL,
8 REGIONAL, OR STATEWIDE NONPROFIT ORGANIZATION EXEMPT FROM
9 TAXATION UNDER § 501(C)(3) OF THE INTERNAL REVENUE CODE THAT IS
10 ORGANIZED IN WHOLE OR IN PART TO PROVIDE HEALTH CARE SERVICES TO
11 LOW-INCOME INDIVIDUALS WITHOUT CHARGE OR FOR A REDUCED CHARGE.

12 (3) “DEPARTMENT” MEANS THE DEPARTMENT OF HEALTH AND
13 MENTAL HYGIENE.

14 (4) “HEALTH CARE PROFESSIONAL” MEANS AN INDIVIDUAL
15 PROVIDING HEALTH CARE SERVICES WHO IS LICENSED, CERTIFIED, OR
16 OTHERWISE AUTHORIZED UNDER THE HEALTH OCCUPATIONS ARTICLE AS A
17 DENTIST OR A PHYSICIAN.

18 (B) (1) A COMMUNITY HEALTH ORGANIZATION MAY SUBMIT A
19 PROPOSAL TO THE DEPARTMENT REQUESTING AN ALLOCATION OF TAX
20 CREDITS FOR USE BY HEALTH CARE PROFESSIONALS DONATING SERVICES TO
21 THE COMMUNITY HEALTH ORGANIZATION.

22 (2) THE PROPOSAL SHALL SET FORTH:

23 (I) THE PROGRAM CONDUCTED OR TO BE CONDUCTED BY
24 THE COMMUNITY HEALTH ORGANIZATION;

25 (II) THE LOW-INCOME POPULATION TO BE ASSISTED;

26 (III) THE ESTIMATED VALUE OF SERVICES TO BE DONATED
27 TO THE PROGRAM; AND

1 **(IV) THE PLANS FOR IMPLEMENTING THE PROGRAM.**

2 **(C) IF THE DEPARTMENT APPROVES A PROPOSAL SUBMITTED BY A**
3 **COMMUNITY HEALTH ORGANIZATION UNDER THIS SECTION, THE COMMUNITY**
4 **HEALTH ORGANIZATION MAY ASSIGN THE TAX CREDIT AMOUNTS ALLOCATED TO**
5 **THE PROGRAM FOR A TAXABLE YEAR TO HEALTH CARE PROFESSIONALS WHO**
6 **DONATE SERVICES TO THE APPROVED PROGRAM DURING THE TAXABLE YEAR.**

7 **(D) (1) A HEALTH CARE PROFESSIONAL MAY CLAIM A CREDIT**
8 **AGAINST THE STATE INCOME TAX IN AN AMOUNT EQUAL TO THE LESSER OF:**

9 **(I) 50% OF THE VALUE OF HEALTH CARE SERVICES**
10 **DONATED BY THE HEALTH CARE PROFESSIONAL DURING THE TAXABLE YEAR TO**
11 **A COMMUNITY HEALTH ORGANIZATION FOR PROGRAMS APPROVED UNDER THIS**
12 **SECTION; OR**

13 **(II) THE AMOUNT OF THE TAX CREDIT ASSIGNED BY THE**
14 **COMMUNITY HEALTH ORGANIZATION TO THE HEALTH CARE PROFESSIONAL FOR**
15 **THE TAXABLE YEAR.**

16 **(2) THE VALUE OF THE HEALTH CARE SERVICES DONATED BY A**
17 **HEALTH CARE PROFESSIONAL TO A COMMUNITY HEALTH ORGANIZATION TAKEN**
18 **INTO ACCOUNT FOR PURPOSES OF THE TAX CREDIT UNDER THIS SECTION MAY**
19 **NOT EXCEED THE LESSER OF:**

20 **(I) THE REASONABLE COST FOR SIMILAR SERVICES FROM**
21 **OTHER PROVIDERS; OR**

22 **(II) \$75 PER HOUR OF TIME DONATED BY THE HEALTH CARE**
23 **PROFESSIONAL.**

24 **(3) A COMMUNITY HEALTH ORGANIZATION MAY NOT ASSIGN A**
25 **CREDIT TO A HEALTH CARE PROFESSIONAL UNDER THIS SECTION IF THE TOTAL**
26 **VALUE OF HEALTH CARE SERVICES DONATED BY THE HEALTH CARE**
27 **PROFESSIONAL TO THE COMMUNITY HEALTH ORGANIZATION DURING THE**
28 **TAXABLE YEAR IS LESS THAN \$5,000.**

29 **(4) (I) FOR ANY TAXABLE YEAR, THE CREDIT ALLOWED UNDER**
30 **THIS SECTION TO ANY HEALTH CARE PROFESSIONAL MAY NOT EXCEED THE**
31 **LESSER OF:**

1 **1. THE STATE INCOME TAX IMPOSED FOR THE**
2 **TAXABLE YEAR, DETERMINED BEFORE THE APPLICATION OF THE CREDITS**
3 **ALLOWED UNDER THIS SECTION AND §§ 10-701 AND 10-701.1 OF THIS**
4 **SUBTITLE, BUT AFTER THE APPLICATION OF ANY OTHER CREDITS ALLOWABLE**
5 **UNDER THIS SUBTITLE; OR**

6 **2. \$1,000.**

7 **(II) THE UNUSED AMOUNT OF THE CREDIT FOR ANY**
8 **TAXABLE YEAR MAY NOT BE CARRIED OVER TO ANY OTHER TAXABLE YEAR.**

9 **(E) THE TOTAL AMOUNT OF TAX CREDITS GRANTED FOR COMMUNITY**
10 **HEALTH PROGRAMS APPROVED UNDER THIS SECTION FOR EACH TAXABLE YEAR**
11 **MAY NOT EXCEED \$250,000.**

12 **(F) THE DEPARTMENT SHALL CERTIFY TO THE STATE COMPTROLLER**
13 **THE APPLICABILITY OF THE CREDIT PROVIDED UNDER THIS SECTION FOR EACH**
14 **HEALTH CARE PROFESSIONAL.**

15 **(G) (1) THE DEPARTMENT, IN CONSULTATION WITH THE STATE**
16 **COMPTROLLER, SHALL ADOPT REGULATIONS TO IMPLEMENT THE TAX CREDIT**
17 **UNDER THIS SECTION.**

18 **(2) (I) THE REGULATIONS ADOPTED UNDER THIS SUBSECTION**
19 **SHALL INCLUDE REGULATIONS FOR THE APPROVAL OR DISAPPROVAL OF**
20 **PROPOSALS UNDER THIS SUBSECTION BY COMMUNITY HEALTH ORGANIZATIONS**
21 **AND FOR DETERMINING THE VALUE OF THE DONATIONS.**

22 **(II) THE REGULATIONS REQUIRED UNDER THIS PARAGRAPH**
23 **SHALL:**

24 **1. INCLUDE A REQUIREMENT THAT AN ANNUAL**
25 **AUDIT BE PROVIDED BY A COMMUNITY HEALTH ORGANIZATION AS A**
26 **PREREQUISITE FOR APPROVAL; AND**

27 **2. PROVIDE FOR THE EQUITABLE ALLOCATION OF**
28 **THE AVAILABLE AMOUNT OF TAX CREDITS AMONG THE APPROVED PROPOSALS**
29 **SUBMITTED BY COMMUNITY HEALTH ORGANIZATIONS.**

1 SECTION 2. AND BE IT FURTHER ENACTED, That the Department of
2 Health and Mental Hygiene, in consultation with the State Comptroller, shall
3 evaluate the effectiveness of the tax credit provided under this Act. The Department
4 shall include in this study the number of community health organizations that receive
5 tax credits to be assigned to health care professionals, the number and occupations of
6 health care professionals that are assigned credits, and the amount of credits granted.
7 Subject to § 2-1246 of the State Government Article, the Department shall report its
8 findings to the Senate Budget and Taxation Committee and the House Committee on
9 Ways and Means on or before November 1, 2009.

10 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall be
11 applicable to all taxable years beginning after December 31, 2006, but before January
12 1, 2011.

13 SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect
14 July 1, 2007. It shall remain effective for a period of 4 years and, at the end of June 30,
15 2011, with no further action required by the General Assembly, this Act shall be
16 abrogated and of no further force and effect.