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## BILL ANALYSIS

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Senate Bill 86 (as introduced 1-28-03)  
Sponsor: Senator Buzz Thomas  
Committee: Finance

Date Completed: 12-1-04

**CONTENT**

**The bill would amend the Income Tax Act to allow certain full-time and part-time physicians to claim a credit against the income tax if they practiced in a "designated area", which would be a health professional shortage area as certified by the Director of the Department of Community Health (DCH).**

Specifically, a "qualified taxpayer" with a full-time primary care medical practice could claim a \$5,000 credit against the tax for tax years beginning after December 31, 2002, for up to five consecutive tax years. A qualified taxpayer with a part-time primary care medical practice could claim a credit calculated by multiplying \$5,000 by the percentage of a 40-hour-work-week that the taxpayer worked on average.

If the credit for the tax year and any unused carryforward of the credit exceeded the taxpayer's tax liability for the tax year, the excess 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.

"Qualified taxpayer" would mean a physician who had a full-time or part-time primary care medical practice in a designated area. A "full-time primary medical care practice" would be a medical practice of 40 hours or more per week. A "part-time primary care medical practice" would be a medical practice of less than 40 hours per week. "Physician" would mean an individual licensed to practice medicine or osteopathic medicine and surgery, who was board certified in cardiology, family practice, general practice, nephrology, pediatrics, or internal medicine.

The DCH would have to certify to the Department of Treasury that a taxpayer who claimed a credit under the bill was a physician with a full-time or part-time primary care medical practice in a designated area. If the DCH changed the designation of an area from a designated area to a nondesignated area after a qualified taxpayer in that area had claimed a credit, he or she could continue to claim the credit.

A taxpayer who claimed the credit would have to attach to his or her annual return (on which the credit was claimed) an affidavit, in a form prescribed by the Department of Treasury or a form that contained substantially the same information, stating that the taxpayer met all of the conditions and criteria for claiming the credit.

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 the obligation under the program. (The Michigan Essential Health Provider Recruitment Strategy Act creates 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.)

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

Proposed MCL 206.269

Legislative Analyst: J.P. Finet

### **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 qualifying taxpayers, as defined in the bill, to the Department of Treasury.

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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.