

Legislative Analysis



MEDICAID PROVIDER TAX DEDUCTION

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House Bill 4132 (Substitute H-1, Draft 2)

Sponsor: Rep. Leslie Mortimer

Committee: Tax Policy

Complete to 5-18-05

A SUMMARY OF HOUSE BILL 4132 SUBSTITUTE H-1, DRAFT 2

The bill would amend the Income Tax Act to allow Medicaid providers to deduct from taxable income an amount based on the difference between the amount received for providing a medical service under Medicaid and the amount that the provider would have received had that medical service been provided under Medicare.

For 2007, a Medicaid provider could deduct one-third of the difference; for 2008, two-thirds of the difference; and for 2009 and thereafter, 100 percent of the difference.

To claim the deduction, the taxpayer would have to include with the tax return, certification from the Department of Community Health stating that the taxpayer practiced as physician in the state during the tax year. The taxpayer would also be required to maintain documentation related to the medical services used to calculate the credit and submit that documentation to the Department of Treasury, if requested to do so.

MCL 206.272

FISCAL IMPACT:

Based on information provided by the Department of Management and Budget and the Department of Community Health, the estimated revenue difference between physicians providing a medical service under Medicaid and the amount that the physicians would have received for the same service under Medicare is \$405.9 million. Assuming that 3.9% of the total would be returned to the taxpayer, an annual amount would be estimated at \$15,830,100. The bill indicates that one-third of the \$15.8 million would be paid in 2007; two thirds in 2008; and the full amount in 2009. The actual cost of the deduction will depend on the number of physicians who claim it.

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