

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: May 18, 2010
POSITION: Oppose

BILL NUMBER: AB 2148
AUTHOR: V. Tran
RELATED BILLS: SB 92

BILL SUMMARY: Personal Income Tax: Physician Charitable Contributions

This bill would allow physicians to deduct the value of medical services contributed free of charge to community clinics or the emergency department of a general acute care hospital from adjusted gross income (AGI), as specified. This bill would be operative for tax years 2011 through 2015.

FISCAL SUMMARY

Preliminary estimates from the Franchise Tax Board (FTB) indicate that this bill would result in revenue losses of \$600,000 in 2010-11, \$1.5 million in 2011-12, and \$1.8 million in 2012-13.

This bill is not expected to significantly impact the FTB's costs.

COMMENTS

The Department of Finance is opposed to this bill as it would result in a significant annual General Fund revenue loss at a time when the state continues to face fiscal difficulties.

Analyst/Principal (0723) C. Angaretis	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

V. Tran

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AB 2148

ANALYSIS

A. Programmatic Analysis

Existing federal and state laws allow individuals to take a fixed standard deduction, indexed for inflation, or the amount of a taxpayer's itemized deductions, whichever is greater. Certain expenses, such as medical expenses incurred by the taxpayer, charitable contributions, interest, and taxes, are deductible as itemized deductions. Expenses for the production of income and certain employee business expenses are considered miscellaneous itemized deductions and, like certain other itemized deductions, must exceed 2 percent of AGI to be deducted as an itemized deduction.

Under current law, there is no deduction for contributing free medical services to an organization, clinic, or hospital as proposed by this bill.

This bill would allow an income tax deduction equal to the value of medical services contributed free of charge by a physician to a local community clinic or an emergency department of a general acute care hospital in calculating AGI (i.e., The taxpayer would not have to itemize in order to claim this deduction).

The deduction allowed to each taxpayer would be limited to a maximum of \$1,500 per year. No other deduction would be allowed for any contribution for which this deduction was allowed.

This bill would be effective immediately upon enactment and operative for taxable years beginning on or after January 1, 2011, and before January 1, 2016.

DISCUSSION:

This bill would allow a specific tax deduction for services that are donated, which, according to the FTB, is unprecedented. Deductions generally are allowed to taxpayers for actual expenses incurred.

Although the bill specifies what types of medical facilities would qualify a doctor to receive the credit, it does not place restrictions on the recipients of these services, which might allow doctors to provide free services to individuals who may otherwise readily pay, or be insured to pay, for these services.

B. Fiscal Analysis

Preliminary estimates from the FTB indicate that this bill would result in revenue losses of \$600,000 in 2010-11, \$1.5 million in 2011-12, and \$1.8 million in 2012-13.

This bill is not expected to significantly impact the FTB's costs.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO RV	PROP 98	FC	2009-2010 FC	2010-2011 FC	2011-2012 FC	2012-2013 FC		
1147/Pers Inc Tax	RV	No			-- U	-\$600 U		-\$1,500	0001
1730/FTB	SO	No			----- No/Minor Fiscal Impact -----				0001