

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 203 Corporate Income Tax
SPONSOR(S): Grimsley and others
TIED BILLS: HB 201 **IDEN./SIM. BILLS:** SB 1646

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Committee on Health Innovation</u>	<u>7 Y, 0 N</u>	<u>Ciccone</u>	<u>Calamas</u>
2) <u>Healthcare Council</u>	<u></u>	<u></u>	<u></u>
3) <u>Policy & Budget Council</u>	<u></u>	<u></u>	<u></u>
4) <u></u>	<u></u>	<u></u>	<u></u>
5) <u></u>	<u></u>	<u></u>	<u></u>

SUMMARY ANALYSIS

House Bill 203 provides an income tax credit for corporate taxpayers who make contributions to qualifying health care clinics. The expressed purpose of the bill is to incentivize corporate taxpayers to make monetary contributions to provide relief to health care clinics who provide a disproportionate share of medical care for indigent persons. The bill specifies that contributions may be submitted at any time to the Department of Revenue (department) for deposit into the Health Care Clinic Indigent Care Trust Fund, which is created in House Bill 201. The department will account for all contributions made to the trust fund and will monitor the disbursements made to qualifying health care clinics. The bill defines a qualifying health care clinic as an entity licensed under part X of chapter 400, F.S., or a federally qualified health center.

The bill specifies that corporate taxpayer contributions are accepted into the fund and in the order contributions are received; however, the trust fund is subject to an aggregate limit of \$50 million. In the event that a submitted contribution causes the fund to exceed its aggregate limit, the department is directed to advise the affected taxpayer to either have the contribution returned to the taxpayer or held by the department until such time as fund balances allow for the full deposit of the contribution. The bill provides that corporate taxpayer credit is applicable when the contribution is deposited into the trust fund. The department is directed to develop rules to implement the proposal.

The trust fund is located within the department and is administered by a nine-member board of directors. The bill specifies the board's duties and responsibilities which include but are not limited to the review and approval of applications from qualifying health care clinics for the disbursement of trust fund monies. The bill directs the board to meet on a bimonthly basis for the purpose of disbursing funds and stipulates that no single health care clinic may receive more than \$2.5 million in total assistance from the fund in a given year. Applications received at the end of the fiscal year can be carried over and determined in the next fiscal year. The bill provides that the board shall provide the Governor with an initial report by February 1, 2008 regarding implementing the corporate taxpayer credit initiative. Thereafter, the board is required to provide the Governor with an annual report summarizing the total annual contributions to the fund and the annual disbursement of funds to qualifying health care clinics, identifying each clinic and the amount disbursed to the clinic.

The bill is funded by contributions made by corporate taxpayers and deposited in the trust fund. The February 9, 2007, Revenue Estimating Conference adopted an impact of negative \$50 million in general revenue, assuming the \$50 million cap is applied.

The bill provides an effective date of July 1, 2007 contingent upon the adoption of House Bill 201 or similar legislation adopted in the 2007 legislative session or an extension thereof.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Lower Taxes – The bill creates a tax exemption for corporate taxpayers providing contributions to qualifying health care clinics providing services to indigent persons.

B. EFFECT OF PROPOSED CHANGES:

House Bill 203 amends s. 220.02(8), F.S., to add s. 220.1875, F.S., as the last credit to the order in which the Legislature intends corporate income tax credits to be claimed against the corporate income tax. The effect of this proposal provides an income tax credit for corporate taxpayers who make contributions to qualifying health care clinics.

The bill creates a process that would allow qualifying health care clinics to apply for corporate taxpayer contributions that are deposited into the Health Care Clinic Indigent Care Trust Fund to provide health care services to indigent persons. The effect of this proposal provides a revenue alternative to qualifying health care clinics to continue clinic operations.

The bill provides for the deposit of corporate taxpayer contributions and the disbursement of monies to qualifying health care clinic applicants via the establishment of the Health Care Clinic Indigent Care Trust Fund and the oversight of the Department of Revenue, within which the trust fund is located. To accomplish the purpose of the proposal, the bill creates a nine-member board of directors, each with relevant experience in the delivery of health care to indigent persons. Among the prescribed duties of the board, members will review and consider applications from qualifying health care clinics and make disbursements accordingly. A board member is restricted from having an ownership interest in a health care clinic or be a member of the board of directors of a health care clinic. The Governor, Senate President and the Speaker of the House of Representatives each appoint three members to serve staggered terms. Members may serve a second term if reappointed. Board members will elect a chair at the organizational meeting and will elect a new chair annually. Members serve without compensation and may be reimbursed from the fund for travel-related expenses.

Present Situation

The Health Insurance Status of Floridians 2004-2005¹

Most Floridians (80%) are insured by some form of either private or public health coverage. However an estimated 20 percent (higher than the national average of 16 percent) of Florida's population is uninsured at anytime during a year. The following table shows population by health insurance status in the 2004-2005 fiscal year.

Health Insurance Coverage of the Total Population, States (2004-2005), U.S. (2005)

	FL	FL	US	US
	#	%	#	%
Employer	8,176,050	46	156,326,430	53
Individual	855,660	5	14,162,970	5

¹ Kaiser Foundation Study: www.statehealthfacts.kkf.org

	FL	FL	US	US
	#	%	#	%
Medicaid	1,928,450	11	37,868,010	13
Medicare	2,765,030	16	34,654,120	12
Other Public	300,760	2	3,358,460	1
Uninsured	3,593,320	20	46,577,440	16
Total	17,619,270	100	292,947,440	100

A recent survey study of the uninsured², funded by the Agency for Health Care Administration, estimated the number of uninsured Floridians at 19.2%. The study also described the characteristics of Floridians who lack health insurance coverage. This analysis revealed:

- Children age 18 or younger are 18.5% of the uninsured.
- Working-aged adults are 81.5% of the uninsured.
- Individuals within the age of 18 to 24 years are 15.8% of the uninsured.
- Individuals within the age of 25 to 34 years are 23.2% of the uninsured.
- Individuals within the age of 35 to 54 years are 34.1% of the uninsured.
- Individuals within the age of 55 to 64 years are 8.3% of the uninsured.

The uninsured typically gain access to health care services in their communities through a variety of health care provider means including “safety net” hospitals that typically include public hospitals, private non-profit hospitals, county health departments, community health centers and many physicians who volunteer their services to provide uncompensated care. The Florida Association of Community Health Centers estimates that there are thirty-seven community health centers in Florida that provide care to indigent persons and families.³

C. SECTION DIRECTORY:

Section 1. Amends s. 220.08(8), F.S.; relating to legislative intent.

Section 2. Creates s. 220.1875, F.S.; relating to credits for contributions for medical care for indigent persons.

Section 3. Provides an effective date of July 1, 2007, only if HB 201 or similar legislation is adopted in the same legislative session or an extension thereof and becomes law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

As drafted, the fiscal impact of the bill is indeterminate. The February 9, 2007, Revenue Estimating Conference adopted an impact of negative \$50 million in general revenue, assuming the \$50 million cap is applied.

² A Profile of Uninsured Floridians, Findings from the 2004 Florida Health Insurance Study, R. Paul Duncan et al, February 2005, the Department of Health Services Research, Management and Policy, University of Florida.

³ Florida Association of Community Health Centers, www.fachc.org

2. Expenditures:

According to the Department of Revenue, the bill will have a significant fiscal impact, but as yet is not determined.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See fiscal comments.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill will increase access to health care for the indigent and may reduce private sector charity care costs. The bill provides corporate income tax advantages to contributors to the trust fund, and qualified health care providers as recipients of the grants, will benefit from the awarded funds. The bill will increase health care services to indigent individuals and families through health care providers.

D. FISCAL COMMENTS:

As drafted, the fiscal impact of the bill is indeterminate. The February 9, 2007, Revenue Estimating Conference adopted an impact of negative \$50 million in general revenue, assuming the \$50 million cap is applied.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or municipalities to spend funds or take action requiring the expenditure of funds. This bill does not reduce the percentage of a state tax shared with counties or municipalities. This bill does not reduce the authority that municipalities have to raise revenues.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill provides DOR with rulemaking authority to implement the provisions of the bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

D. STATEMENT OF THE SPONSOR

This legislation will effectively reduce the burden of non-emergent cases seen in the Emergency Room by increasing funding to primary care providers including Federally Qualified Clinics through the private sector. This revenue will enable Federally Qualified Clinics to expand their services and hours of operations.

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

On March 20, 2007, the Health Innovation Committee adopted one strike-all amendment to the bill. This amendment:

- Clarified that the purpose of the proposal is to provide medical care for indigent persons and relief to eligible health care clinics who provide medical care to indigent persons.
- Specified that corporate taxpayers may be required to file a certificate of contribution to claim credit for contributions.
- Specified funds will be disbursed to eligible health care clinics to the extent that funds are available.
- Directed the board to ensure that funds are distributed on a geographically equitable state-wide basis.
- Redirected the administration and staff requirement to the board and removes a reference that provides board assistance from the Department of Revenue.
- Revised the due date of the implementation and program activity report from February 1, 2008 to December 31, 2008.

The bill was reported favorably with one strike-all amendment.