

The Florida Senate
PROFESSIONAL STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: Health Policy Committee

BILL: CS/SB 1646

INTRODUCER: Health Policy Committee and Senators Gaetz, Fasano, and others

SUBJECT: Corporate Income Tax Credits/Indigent Health Care

DATE: March 29, 2007

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Bedford	Wilson	HP	Fav/CS
2.			FT	
3.			HA	
4.				
5.				
6.				

I. Summary:

The bill provides an income tax credit for corporate taxpayers who make contributions to qualifying health care clinics that 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 Senate Bill 1654. 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 specifies that corporate taxpayer contributions are accepted into the fund in the order contributions are received, however, the trust fund is subject to an aggregate limit of \$50 million. An eligible health care clinic can apply to the board of the Health Care Clinic Indigent Care Trust Fund for disbursements for operations, personnel, and capital improvements. Applications must be accepted by the board semiannually on June 1 and December 1. The board will determine disbursements on the basis of need, the date of request, and the applicant's ability to obtain alternative funding.

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 moneys. The bill stipulates that a single health care clinic may not 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 and Legislature with an initial report by December 31, 2008, regarding implementing the corporate taxpayer credit initiative. Thereafter, the board is required to provide the Governor and Legislature 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.

This bill amends s. 220.02, F.S., 220.13, F.S., and creates s. 220.1875, F.S.

II. Present Situation:

Credits Against Corporate Income Taxes

Chapter 220, F.S., is the income tax code. Part II of ch. 220, F.S., specifies how the tax is to be imposed and also provides credits against the tax for specified purposes. Section 220.02(8), F.S., states legislative intent that credits against the corporate income tax or the franchise tax be applied in a certain order. Currently there are not any credits against the corporate income tax for contributions for medical care for indigent persons.

Section 220.13, F.S., defines “adjusted federal income” for purposes of calculating the state corporate income tax. This section provides for certain additions and subtractions to a taxpayer’s taxable income. Amounts taken as a credit for a taxable year are added to taxable income to ensure that a taxpayer does not receive both a deduction and a credit.

The Health Insurance Status of Floridians 2004-2005

Most Floridians (80 percent) 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 any time 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.¹

	FL Number	FL Percent	US Number	US Percent
Employer	8,176,050	46	156,326,430	53
Individual	855,660	5	14,162,970	5
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 study of the uninsured², funded by the Agency for Health Care Administration,

¹<http://www.statehealthfacts.org/cgi-bin/healthfacts.cgi?action=profile&area=Florida&category=Health+Coverage+%26+Uninsured&subcategory=Health+Insurance+Status&topic=Total+Population> (last visited March 22, 2007)

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.

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 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.

Federal Poverty Guidelines

The Federal poverty guidelines are issued each year in the *Federal Register* by the Department of Health and Human Services. The guidelines are a federal poverty measure used for administrative purposes, such as determining financial eligibility for certain federal programs. The poverty guidelines are sometimes referred to as the “federal poverty level”. The 2007 poverty guideline for a family of four is set at a family income of \$20,650.

Federally Qualified Health Centers

A federally qualified health center (FQHC) is a type of provider defined by the Medicare and Medicaid statutes. The FQHCs include all organizations receiving grants under Section 330 of the Public Health Service Act, certain tribal organizations, and FQHC Look-Alikes. An FQHC Look-Alike is an organization that meets all of the eligibility requirements of an organization that receives a Public Health Service Section 330 grant, but does not receive grant funding. The FQHCs are “safety net” providers such as community health centers, public housing centers, outpatient health programs funded by the Indian Health Service, and programs serving migrants and the homeless. The main purpose of the FQHC program is to enhance the provision of primary care services in underserved urban and rural communities. The Florida Association of Community Health Centers indicates that there are thirty-seven community health centers in Florida that provide care to indigent persons and families.³

III. Effect of Proposed Changes:

Section 1. Amends s. 220.02(8), F.S., which provides legislative intent that credits against either the corporate income tax or the franchise tax are to be applied in a specified order, to include those credits enumerated in s. 220.1875, F.S., as created in the bill, at the end of the order.

³ http://www.fachc.org/map_member_locations.htm (last visited March 23, 2007)

Section 2. Amends s. 220.13, F.S., which provides adjustments to corporate taxpayer's taxable income. The amount taken as a credit for the taxable year under s. 220.1875, F.S., is added to the taxable income in order to prevent a taxpayer from receiving both a deduction and a credit.

Section 3. Creates s. 220.1875, F.S., establishing corporate income tax credits for contributions to health care clinics for medical care for indigent persons.

Subsection(1) states that the purpose of this section is to permit corporations a credit against corporate income taxes for contributions to a fund that distributes grants to eligible health care clinics providing medical care for indigent persons and to provide fiscal relief to health care clinics that provide a disproportionate share of medical care to indigent persons.

Subsection(2) provides definitions for "board", "charity care", "department", "eligible health care clinic", "fiscal year", and "fund".

- Charity care is defined as medical care provided to a person who has insufficient resources or assets to pay for medical care without using resources that are required to meet the person's basic need for food, shelter, and clothing. A person is not eligible for charity care if the person's family income, for the 12 months preceding the determination of his or her financial status by the health care clinic, exceeds 200 percent of the federal poverty guidelines.
- Eligible health care clinic is defined as a charitable organization that is:
 - A federally qualified health center, as defined in 42 U.S.C. s. 1395x(aa)(4), or a federally qualified health center "look-alike";
 - An entity that is exempt from the federal income tax under s. 501(c)(3) of the Internal Revenue Code and that:
 - Provides health care services in a community clinic that is not owned or affiliated with a hospital licensed under ch. 395, F.S.;
 - In the most recent calendar year provided charity care in an aggregate amount equal to 50 percent of its total revenues received from health care services or at least 50 percent of the patient visits were from charity care patients;
 - Maintains a patient financial responsibility policy in which the patient's charity care status is confirmed; and
 - Provides information establishing that the applicant maintains a quality assurance and improvement process including an annual review establishing that evidence-based medical practices are used.
 - A county health department located in a county with fewer than 300,000 persons.

Subsection (3) provides that a corporate taxpayer may make contributions to the Health Care Clinic Indigent Care Trust Fund at any time by submitting the contribution to the Department of Revenue for deposit into the fund. The department may require that the deposit be filed with a certificate of contribution. The taxpayer may receive a credit of 100 percent of an eligible contribution. However, the credit may not exceed 75 percent of the tax due for the taxable year, after application of any other credits. Any unused credits may be carried over for up to 3 years.

Subsection (4) subjects the Health Care Clinic Indigent Care Trust Fund to an aggregate limit of \$50 million. Contributions are accepted in the order received.

Subsection (5) authorizes an eligible health care clinic to apply to the board of the Health Care Clinic Indigent Care Trust Fund for disbursements for operations, personnel, and capital improvements. Applications must be accepted by the board semiannually on June 1 and December 1. The board will determine disbursements on the basis of need, the date of request, and the applicant's ability to obtain alternative funding. The board is required to ensure that the funds are distributed on a geographically equitable basis throughout the state to applicants who provide a system of care for the uninsured or underinsured. The board must meet or teleconference bi-monthly. The board must send a disbursement request to the department when the board approves a disbursement. A single health care clinic may receive more than \$2.5 million in a fiscal year. An eligible health care clinic that is owned or operated or affiliated with a corporate taxpayer eligible for the tax credit as provided in this section is not eligible to receive moneys from this fund.

Subsection (6) requires the board to have 9 members, 3 appointed by the Governor, 3 appointed by the President of the Senate, and 3 appointed by the Speaker of the House of Representatives, each with experience in the delivery of health care to indigent persons. This section outlines the specifics for organizing the board. The board will provide a report to the Governor and Legislature by December 31, 2008, and an annual report thereafter summarizing the total annual contributions and disbursements, identifying each clinic and the amount received.

Subsection (7) requires the department to adopt rules to implement this section.

Section 4. Provides that this act will take effect July 1, 2007, only if Senate Bill 1654 or similar legislation is adopted in the same legislative session or extension thereof and becomes law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

The provisions of this bill have no impact on municipalities and the counties under the requirements of Article VII, Section 18 of the Florida Constitution.

B. Public Records/Open Meetings Issues:

The provisions of this bill have no impact on public records or open meetings issues under the requirements of Article I, Section 24(a) and (b) of the Florida Constitution.

C. Trust Funds Restrictions:

This bill is linked to SB 1654, which creates the Health Care Clinic Indigent Care Trust Fund.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:**

The bill provides for credits against corporate income taxes. 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.

B. Private Sector Impact:

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.

C. Government Sector Impact:

According to the Department of Revenue, the bill will have a fiscal impact on the department, but as yet it has not been determined.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Summary of Amendments:

None.

This Senate Professional Staff Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
