

# MedChi

*The Maryland State Medical Society*

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TO: The Honorable Peter A. Hammen, Chair  
Members, House Health & Government Operations Committee

FROM: Joseph A. Schwartz, III  
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DATE: February 18, 2014

RE: **SUPPORT WITH AMENDMENT** – House Bill 668 – *Income Tax Credit – Health Enterprise Zones - Modifications*

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The Maryland State Medical Society (MedChi), which represents more than 8,000 Maryland physicians and their patients, supports House Bill 668 with amendment.

House Bill 668 seeks to redefine and extend the existing income tax credit for hiring in a Health Enterprise Zone (HEZ) to include non-profit entities. MedChi has been a strong supporter of the HEZ program and believes that it will ultimately assist in building much needed capacity to expand access to health care services in medically underserved areas. MedChi was especially encouraged by the creation of the income tax credit which is the subject of this legislation when the program was originally created. As MedChi has long argued, private practices in medically underserved areas are an important asset that should be leveraged to expand access. Creating an income tax credit that can be claimed by a for-profit practice that meets certain criteria helps to assist them in hiring practitioners who will help meet the access needs that are the objective of the program.

MedChi is not opposed to extending financial assistance to non-profits for hiring practitioners in HEZs. However, MedChi would urge such assistance to be reflected in this legislation as a “hiring incentive” grant or payment rather than an expansion of the income tax credit to non-profit entities. The income tax credit, which was a component of the original legislation, has not yet been fully implemented. Regulations regarding implementation were only recently proposed and have yet to be finalized. Consequently, no tax credits have yet been granted and MedChi is concerned that expanding the current tax

credit's applicability to other categories of organizations before it is fully implemented in its

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present form could be problematic. Further, it is not clear why an income tax credit is of particular assistance to a nonprofit organization as they do not pay income taxes.

It is MedChi's understanding that the primary purpose for extending the tax credit to nonprofits is to ensure that there is a mechanism to provide hiring incentives, it would suggest that the bill be amended to create such an incentive mechanism that would work in conjunction with the existing income tax credits to achieve the intended objectives rather than extend a tax credit program that has yet to be implemented to nonprofits who may not be able to maximize the benefits of such a credit given their tax status.

With its amendment noted, MedChi strongly urges a favorable report. Maximizing the potential for hiring qualified practitioners in HEZs is critical to the achievement of the program's objectives.

**For more information call:**

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