

CHARITY HEALTH CARE TAX CREDIT ACT (DRAFT, MAY 11, 2012)

SUMMARY

This Act provides state tax credits for individuals (\$1,000/year), families (\$2,500/year), and nonprofit charity organizations (up to 75% of income tax liability) who provide healthcare services to the uninsured.

MODEL LEGISLATION

Section 1. Title. This Act shall be known as the “Charity Health Care Tax Credit Act.”

Section 2. Definitions. For the purposes of this Act:

- A. “Charity health care organization” means a nonprofit corporation supporting 50 or more charity health care clinics providing health care services to the uninsured and qualified as exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code.
- B. “Charity health care organization” means a nonprofit corporation supporting 50 or more charity health care clinics providing health care services to the uninsured and qualified as exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and approved by the {insert state department of health and human services} pursuant to this Act.
- C. “Qualified charity health care expense” means the expenditure of funds by the taxpayer during the tax year for which a credit under this Act is claimed and allowed.

Section 3. Eligible Charity Health Care Organizations. The {insert state department of health and human services} shall approve and maintain a list of charity health care organizations eligible for the purposes of the charity health care tax credit.

Section 4. Charity Health Care Tax Credit.

- A. An individual taxpayer shall be allowed a credit against the tax imposed by {insert reference to state tax code} for qualified charity health care expenses as follows:
 - 1. In the case of a single individual or a head of household, the actual amount expended or \$1,000.00 per tax year, whichever is less; or
 - 2. In the case of a married couple filing a joint return, the actual amount expended or \$2,500.00 per tax year, whichever is less.
- B. A corporation or other entity shall be allowed a credit against the tax imposed by {insert reference to state tax code} for qualified charity health care expenses in an amount not to exceed the actual amount expended or 75 percent of the corporation's income tax liability, whichever is less.

- C. In order for the taxpayer to claim the charity health care organization tax credit under this Act, a letter of confirmation of donation issued by the charity health care organization to which the contribution was made shall be attached to the taxpayer's tax return. However, in the event the taxpayer files an electronic return, such confirmation shall only be required to be electronically attached to the return if the Internal Revenue Service allows such attachments when the data is transmitted to the department. In the event the taxpayer files an electronic return and such confirmation is not attached because the Internal Revenue Service does not, at the time of such electronic filing, allow electronic attachments to the **{insert state}** return, such confirmation shall be maintained by the taxpayer and made available upon request by the **{insert state revenue commissioner}**. The letter of confirmation of donation shall contain the taxpayer's name, address, tax identification number, the amount of the contribution, the date of the contribution, and the amount of the credit.
- D. The **{insert state revenue commissioner}** shall be authorized to promulgate any rules and regulations necessary to implement and administer the tax provisions of this Act.

Section 5. Limitations and Reporting Requirements.

- A. In no event shall the total amount of the tax credit under this Act for a taxable year exceed the taxpayer's income tax liability. Any unused tax credit shall be allowed the taxpayer against the succeeding five years' tax liability. No such credit shall be allowed the taxpayer against prior years' tax liability.
- B. In no event shall the aggregate amount of tax credits allowed under this Act exceed \$2 million per tax year for the three years beginning January 1, 2013, except that any unused aggregate credits shall carry over until December 31, 2018, at which time any unused aggregate tax credits shall expire.
- C. The **{insert revenue commissioner}** shall allow the tax credits on a first come, first served basis.
- D. For the purposes of Paragraph B of this Section, a charity health care organization shall notify a potential donor of the requirements of this section. Before making a contribution to a charity health care organization, the taxpayer shall notify the **{insert state department of revenue}** of the total amount of contributions that the taxpayer intends to make to the charity health care organization. The **{insert state revenue commissioner}** shall preapprove or deny the requested amount within 30 days after receiving the request from the taxpayer and shall provide written notice to the taxpayer and the charity health care organization of such preapproval or denial which shall not require any signed release or notarized approval by the taxpayer. In order to receive a tax credit under this Act, the taxpayer shall make the contribution to the charity health care organization within 60 days after receiving notice from the **{insert state department of revenue}** that the requested amount was preapproved. If the taxpayer does not comply with this paragraph, the **{insert state revenue commissioner}** shall not include this preapproved contribution amount when

calculating the limit prescribed in Paragraph B of this Section. The **{insert state department of revenue}** shall establish a web-based donation approval process to implement this Section.

- E. Preapproval of contributions by the **{insert state revenue commissioner}** shall be based solely on the availability of tax credits subject to the aggregate total limit established under Paragraph B of this Section. The **{insert state department of revenue}** shall maintain an ongoing, current list on its website of the amount of tax credits available under this Act.
- F. Notwithstanding any laws to the contrary, the **{insert state department of revenue}** shall not take any adverse action against donors to charity health care organizations if the **{insert state revenue commissioner}** preapproved a donation for a tax credit prior to the date the charity health care organization is removed from the list maintained by **{insert state department of health and human services}** pursuant this Act, and all such donations shall remain as preapproved tax credits subject only to the donor's compliance with Paragraph D of this Section.
- G. No credit shall be allowed under this Act with respect to any amount deducted from taxable net income by the taxpayer as a charitable contribution to a bona fide charitable health care organization qualified under Section 501(c)(3) of the Internal Revenue Code.

Section 6. {Severability Clause}

Section 7. {Repealer Clause}

Section 8. {Effective Date}