

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1397

Bill Subtitle: TO CREATE AN INCOME TAX EXEMPTION FOR INCENTIVES RECEIVED UNDER THE COMMUNITY MATCH RURAL PHYSICIAN RECRUITMENT PROGRAM.

Basic Change : Sponsor: Representative Branscum

HB1397 provides an income tax exemption for incentives received under the Community Match Rural Physician Recruitment Program. Currently, a physician in their residency or within two years of completion of his or her residency may jointly apply with an underserved rural community to participate in the Community Match Rural Physician Recruitment Program. To participate, the physician agrees to practice in the area of primary care in the community for a period of four years. In return, the community agrees to pay the physician an additional \$10,000 per year and the State pays \$10,000 per year for a total of \$80,000 for four years.

HB1397 will exempt the \$20,000 received annually under this program from Arkansas Individual Income Tax. The bill is effective for tax years beginning on or after January 1, 2015.

Revenue Impact :

FY2016 and after of \$35,000 per year reduction to General Revenue

Taxpayer Impact :

Income received by taxpayers from the Community Match Rural Physician Recruitment Program will be exempt from income tax. Currently, the incentive can be up to \$20,000 per year from both State and local sources for up to 4 years per person.

Resources Required :

Update tax forms and instructions.

Time Required :

Adequate time is provided.

Procedural Changes :

Tax forms and instruction booklets will need to be updated. DFA employees will need to be educated as well as the tax community.

Other Comments :

None

Legal Analysis :

The bill is effective for tax years beginning on or after January 1, 2015.