

54A:3-7

LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2004 **CHAPTER:** 139

NJSA: 54A:3-7 (Creates Health Enterprise Zones in certain municipalities)

BILL NO A2638 (Substituted for S1430)

SPONSOR(S): Sires and others

DATE INTRODUCED: May 3, 2004

COMMITTEE: **ASSEMBLY:** Health and Human Services; Appropriations
SENATE:

AMENDED DURING PASSAGE: Yes

DATE OF PASSAGE: **ASSEMBLY:** June 21, 2004

SENATE: June 24, 2004

DATE OF APPROVAL: September 2, 2004

FOLLOWING ARE ATTACHED IF AVAILABLE:

[FINAL TEXT OF BILL](#) 2nd reprint enacted

A2638

[SPONSOR'S STATEMENT:](#) (Begins on page 3 of original bill) [Yes](#)

COMMITTEE STATEMENT: **ASSEMBLY:** Yes [5-13-2004 \(Health\)](#)
[5-27-2004 \(Approp.\)](#)

SENATE: No

FLOOR AMENDMENT STATEMENT: No

[LEGISLATIVE FISCAL ESTIMATE:](#) [Yes](#)

S1430

[SPONSOR'S STATEMENT:](#) (Begins on page 3 of original bill) [Yes](#)

COMMITTEE STATEMENT: **ASSEMBLY:** No

SENATE: Yes [6-10-2004 \(Health\)](#)
[6-18-2004 \(Budget\)](#)

FLOOR AMENDMENT STATEMENT: No

[LEGISLATIVE FISCAL ESTIMATE:](#) [Yes](#)

VETO MESSAGE: No

[GOVERNOR'S PRESS RELEASE ON SIGNING:](#) [Yes](#)

FOLLOWING WERE PRINTED:

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REPORTS:

No

HEARINGS:

No

NEWSPAPER ARTICLES:

No

§§1,2 - C.54A:3-7
& 54A:3-8
§3 - C.34:1B-189
§4,5 - C.54:4-3.160
& 54:4-3.161
§6 - Note to §§1-5

P.L. 2004, CHAPTER 139, *approved September 2, 2004*
Assembly, No. 2638 (*Second Reprint*)

1 AN ACT creating Health Enterprise Zones in certain municipalities and
2 supplementing Title 54A of the New Jersey Statutes and Titles 34
3 and 54 of the Revised Statutes.

4
5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

7
8 1. ¹[As used in this act, "Health Enterprise Zone" means an] Each¹
9 area that is designated by the Commissioner of Health and Senior
10 Services as a State designated underserved area pursuant to
11 N.J.S.18A:71C-35 ¹shall be deemed to be a "Health Enterprise Zone"
12 for the purposes of P.L. , c. (C.)(pending before the Legislature
13 as this bill)¹.

14
15 2. ²a. ²A taxpayer who is providing primary care as defined ¹[by]
16 in¹ N.J.S.18A:71C-32 at²:

17 (1)² a practice that is located in a Health Enterprise Zone ¹[created
18 pursuant to] as described in¹ section 1 of P.L. , c. , (C.)
19 (¹[now] pending¹ before the Legislature as this bill)²; or

20 (2) a qualified practice that is located within 5 miles of a Health
21 Enterprise Zone as described in section 1 of P.L. , c. , (C.);²

22 shall be allowed to deduct from the taxpayer's gross income in a
23 taxable year an amount equal to ² [the amount]² ¹that¹ ² proportion
24 of the taxpayer's net income deriving from that practice for the taxable
25 year that ² the ²[taxpayer received for services at] qualified receipts
26 of² that practice ²for the taxable year bear to the total amount received
27 for services at that practice for the taxable year.

28 b. For the purposes of this section:

29 "Qualified practice" means a practice at which 50% or more of the
30 total amount received for services at that practice for the taxable year
31 are qualified receipts and 50% or more of the patients whose services
32 are compensated by qualified receipts reside in a Health Enterprise
33 Zone; and

34 "Qualified receipts" means amounts received for services² from the
35 Medicaid program pursuant to P.L.1968, c.413 (C.30:4D-1 et seq.),
36 including amounts received from managed care organizations under

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly AHH committee amendments adopted May 13, 2004.

² Assembly AAP committee amendments adopted May 27, 2004.

1 contract with the Medicaid program, the FamilyCare Health Coverage
2 Program pursuant to P.L.2000, c.71 (C.30:4J-1 et seq.), and the
3 Children's Health Care Coverage Program pursuant to P.L.1997, c.272
4 (C.30:4I-1 et seq.) for providing health care services to eligible
5 program recipients ²[in that taxable year]².

6
7 3. ²a.² In consultation with the Commissioner of Health and
8 Senior Services, the Executive Director of the New Jersey Economic
9 Development Authority shall establish and administer a program that
10 makes ¹[low interest] low-interest¹ loans for the purposes of
11 constructing and renovating medical offices in Health Enterprise Zones
12 as ¹[created pursuant to] described in¹ section 1 of P.L. , c. ,
13 (C.) (¹[now] pending¹ before the Legislature as this bill) ²and the
14 offices of a qualified practice that is located within 5 miles of a Health
15 Enterprise Zone ² and purchasing medical equipment for use by
16 primary care providers as defined ¹[by] in¹ N.J.S.18A:71C-32 at
17 practices located in Health Enterprise Zones or at qualified practices
18 that are located within 5 miles of a Health Enterprise Zone. The
19 executive director shall ¹[promulgate] adopt rules and¹ regulations^{1, 1}
20 pursuant to the "Administrative Procedure Act," P.L.1968, c.410
21 (C:52:14B-1 et seq.)^{1, 1} necessary to effectuate the purposes of this
22 ¹[act] section¹.

23 ²b. For the purposes of this section:

24 "Qualified practice" means a practice at which 50% or more of the
25 total amount received for services at that practice for the taxable year
26 are qualified receipts and 50% or more of the patients whose services
27 are compensated by qualified receipts reside in a Health Enterprise
28 Zone; and

29 "Qualified receipts" means amounts received for services from the
30 Medicaid program pursuant to P.L.1968, c.413 (C.30:4D-1 et seq.),
31 including amounts received from managed care organizations under
32 contract with the Medicaid program, the FamilyCare Health Coverage
33 Program pursuant to P.L.2000, c.71 (C.30:4J-1 et seq.), and the
34 Children's Health Care Coverage Program pursuant to P.L.1997, c.272
35 (C.30:4I-1 et seq.) for providing health care services to eligible
36 program recipients.²

37
38 4. A municipality that has within its boundaries a Health Enterprise
39 Zone ¹[created pursuant to] as described in¹ section 1 of P.L. ,
40 c. , (C.) (¹[now] pending¹ before the Legislature as this bill) may
41 adopt a resolution that provides for an exemption from taxation as real
42 property of that portion of a structure or building that is used to house
43 a medical or dental primary care practice as defined ¹[by] in¹
44 N.J.S.18A:71C-32 and that is located in that designated area. The
45 exemption shall be in effect for tax years that are within the period of

1 designation as a State designated underserved area and shall be
2 contingent upon an annual application therefor filed by the property
3 owner with, and approved by, the local tax assessor.

4
5 5. a. Upon the granting of an exemption from taxation as real
6 property pursuant to section 4 of P.L. , c. , (C.) (¹[now]
7 pending¹ before the Legislature as this bill), an owner of the building
8 or structure granted the exemption shall rebate to a tenant engaged in
9 the medical or dental primary care practice an amount equal to the
10 exemption, which may be a lump sum or rebated through discounted
11 rental payments.

12 b. The tenant engaged in the medical or dental primary care
13 practice or the owner of the building or structure granted the
14 exemption shall annually submit proof to the local tax assessor that the
15 amount of the ¹[property tax]¹ exemption ¹[pursuant to section
16 4 of P.L. , c. , (C.)]¹ was rebated to the eligible tenant. If
17 proof satisfactory to the tax assessor is not provided in the manner
18 that the tax assessor shall establish, the exemption shall not be allowed
19 for the tax year and the owner of the property shall refund the amount
20 of the ¹[property tax]¹ exemption for that tax year to the municipal
21 tax collector.

22
23 6. This act shall take effect on the 180th day following the date of
24 enactment¹, except that section 2 shall apply to taxable years
25 beginning after enactment¹.

26

27

28

29

30 _____
31 Creates Health Enterprise Zones in certain municipalities to encourage
32 establishment of certain primary care practices in medically
underserved areas.

ASSEMBLY, No. 2638

STATE OF NEW JERSEY 211th LEGISLATURE

INTRODUCED MAY 3, 2004

Sponsored by:

Assemblyman ALBIO SIRES

District 33 (Hudson)

Assemblyman WILFREDO CARABALLO

District 29 (Essex and Union)

SYNOPSIS

Creates Health Enterprise Zones in certain municipalities to encourage establishment of certain primary care practices in medically underserved areas.

CURRENT VERSION OF TEXT

As introduced.



A2638 SIRES, CARABALLO

2

1 AN ACT creating Health Enterprise Zones in certain municipalities and
2 supplementing Title 54A of the New Jersey Statutes and Titles 34
3 and 54 of the Revised Statutes.

4

5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

7

8 1. As used in this act, "Health Enterprise Zone" means an area that
9 is designated by the Commissioner of Health and Senior Services as a
10 State designated underserved area pursuant to N.J.S.18A:71C-35.

11

12 2. A taxpayer who is providing primary care as defined by
13 N.J.S.18A:71C-32 at a practice that is located in a Health Enterprise
14 Zone created pursuant to section 1 of P.L. , c. , (C.) (now
15 before the Legislature as this bill) shall be allowed to deduct from the
16 taxpayer's gross income in a taxable year an amount equal to the
17 amount the taxpayer received for services at that practice from the
18 Medicaid program pursuant to P.L.1968, c.413 (C.30:4D-1 et seq.),
19 including amounts received from managed care organizations under
20 contract with the Medicaid program, the FamilyCare Health Coverage
21 Program pursuant to P.L.2000, c.71 (C.30:4J-1 et seq.), and the
22 Children's Health Care Coverage Program pursuant to P.L.1997, c.272
23 (C.30:4I-1 et seq.) for providing health care services to eligible
24 program recipients in that taxable year.

25

26 3. In consultation with the Commissioner of Health and Senior
27 Services, the Executive Director of the New Jersey Economic
28 Development Authority shall establish and administer a program that
29 makes low interest loans for the purposes of constructing and
30 renovating medical offices in Health Enterprise Zones as created
31 pursuant to section 1 of P.L. , c. , (C.) (now before the
32 Legislature as this bill) and purchasing medical equipment for use by
33 primary care providers as defined by N.J.S.18A:71C-32 at practices
34 located in Health Enterprise Zones. The executive director shall
35 promulgate regulations pursuant to the "Administrative Procedure
36 Act," P.L.1968, c.410 (C.52:14B-1 et seq.) necessary to effectuate the
37 purposes of this act.

38

39 4. A municipality that has within its boundaries a Health Enterprise
40 Zone created pursuant to section 1 of P.L. , c. , (C.) (now
41 before the Legislature as this bill) may adopt a resolution that provides
42 for an exemption from taxation as real property of that portion of a
43 structure or building that is used to house a medical or dental primary
44 care practice as defined by N.J.S.18A:71C-32 and that is located in
45 that designated area. The exemption shall be in effect for tax years
46 that are within the period of designation as a State designated

1 underserved area and shall be contingent upon an annual application
2 therefor filed by the property owner with, and approved by, the local
3 tax assessor.

4
5 5. a. Upon the granting of an exemption from taxation as real
6 property pursuant to section 4 of P.L. , c. , (C.) (now before
7 the Legislature as this bill), an owner of the building or structure
8 granted the exemption shall rebate to a tenant engaged in the medical
9 or dental primary care practice an amount equal to the exemption,
10 which may be a lump sum or rebated through discounted rental
11 payments.

12 b. The tenant engaged in the medical or dental primary care
13 practice or the owner of the building or structure granted the
14 exemption shall annually submit proof to the local tax assessor that the
15 amount of the property tax exemption pursuant to section 4 of
16 P.L. , c. , (C.) was rebated to the eligible tenant. If proof
17 satisfactory to the tax assessor is not provided in the manner that the
18 tax assessor shall establish, the exemption shall not be allowed for the
19 tax year and the owner of the property shall refund the amount of the
20 property tax exemption for that tax year to the municipal tax collector.

21
22 6. This act shall take effect on the 180th day following the date of
23 enactment.

24
25
26 STATEMENT

27
28 This bill creates Health Enterprise Zones in State designated
29 underserved areas to provide access to quality medical and dental
30 primary care for the traditionally medically underserved communities
31 in New Jersey. To that end, this bill institutes incentives to encourage
32 primary care physicians and dentists to set up and maintain their
33 medical and dental offices in the State's medically and dentally
34 underserved areas.

35 In order to become a Health Enterprise Zone, an area must be a
36 State designated underserved area. Qualified primary care physicians
37 and dentists who practice in a Health Enterprise Zone are allowed to
38 deduct from their gross income the amount they receive from
39 providing health care services to eligible recipients of the Medicaid
40 program and the New Jersey FamilyCare program at their practices
41 located in a Health Enterprise Zone. Under a new loan program
42 created under this bill and administered by the New Jersey Economic
43 Development Authority, they are also eligible to apply for low interest
44 loans for the purposes of constructing and renovating their office
45 spaces in a Health Enterprise Zone and purchasing medical equipment
46 for use in their practices in a Health Enterprise Zone.

A2638 SIRES, CARABALLO

4

1 Lastly, this bill authorizes the municipality in whose jurisdiction the
2 Health Enterprise Zone lies to grant an exemption from taxation as
3 real property to qualified medical and dental offices located in the
4 Health Enterprise Zone in which qualified primary care physicians and
5 dentists provide health care services.

ASSEMBLY HEALTH AND HUMAN SERVICES COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2638

with committee amendments

STATE OF NEW JERSEY

DATED: MAY 13, 2004

The Assembly Health and Human Services Committee reports favorably and with committee amendments Assembly Bill No. 2638.

As amended by the committee, this bill deems State designated underserved areas as Health Enterprise Zones (HEZs) in order to provide access to quality medical and dental primary care for medically underserved communities by providing financial incentives to encourage primary care physicians and dentists to establish and maintain medical and dental offices in those areas.

An area that is designated by the Commissioner of Health and Senior Services as a State designated underserved area pursuant to N.J.S.A.18A:71C-35 is to be deemed an HEZ for the purposes of this bill.

Qualified primary care physicians and dentists who practice in an HEZ would be:

- allowed to deduct from their gross income the amount that they receive from providing health care services to eligible recipients of the Medicaid program and the New Jersey FamilyCare program at their practices located in an HEZ;

- eligible to apply for low-interest loans, under a new loan program created under the bill and administered by the New Jersey Economic Development Authority, for the purposes of constructing and renovating their office spaces in an HEZ and purchasing medical equipment for use in their practices in an HEZ; and

- eligible for an exemption from taxation as real property for their qualified medical and dental offices located in an HEZ in which they provide health care services, if the municipality in which the HEZ is located adopts a resolution to that effect.

The bill takes effect on the 180th day after enactment, except that the gross income deductibility provisions of the bill would apply to taxable years beginning after enactment.

As reported by the committee, this bill is similar to Senate Bill No. 1430 (Rice/Buono), which is currently pending in the Senate Health, Human Services and Senior Citizens Committee.

COMMITTEE AMENDMENTS

The committee amendments to the bill clarify section 1 of the bill regarding the deeming of State designated underserved areas as HEZs and section 6 of the bill regarding the tax years to which the gross income deductibility provisions of the bill would apply. Other amendments are technical in nature.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 2638

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: MAY 27, 2004

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2638 (1R), with committee amendments.

Assembly Bill No. 2638 (1R), as amended, deems State-designated medically underserved areas as Health Enterprise Zones (HEZs) in order to provide access to quality medical and dental primary care for medically underserved communities by providing financial incentives to encourage primary care physicians and dentists to establish and maintain medical and dental offices in and near those areas.

An area that is designated by the Commissioner of Health and Senior Services as a State-designated medically underserved area pursuant to N.J.S.A.18A:71C-35 is to be deemed an HEZ for the purposes of this bill.

Qualified primary care physicians and dentists who practice in an HEZ will be:

--allowed to deduct from their taxable income an amount of their net income from the practice that is proportional to their gross receipts from providing health care services to eligible recipients of the Medicaid program and the New Jersey FamilyCare program at their practices located in an HEZ;

--eligible to apply for low-interest loans, under a new loan program created under the bill and administered by the New Jersey Economic Development Authority, for the purposes of constructing and renovating their office spaces in an HEZ and purchasing medical equipment for use in their practices in an HEZ; and

--eligible for an exemption from taxation as real property for their qualified medical and dental offices located in an HEZ in which they provide health care services, if the municipality in which the HEZ is located adopts a resolution to that effect.

Primary care physicians and dentists who practice within five miles of an HEZ will also be allowed the gross income tax deduction and will be eligible for the loan program if at least half of their gross receipts at the practice are from providing health care services to eligible recipients of the Medicaid program and the New Jersey

FamilyCare program and at least half of those eligible Medicaid and FamilyCare recipients to whom they provide services are residents of an HEZ.

The bill takes effect on the 180th day after enactment, except that the gross income deductibility provisions of the bill will apply to taxable years beginning after enactment.

FISCAL IMPACT:

There is no data available to evaluate the potential State fiscal impact of the gross income tax provisions of the bill; however, any deductions actually taken will represent the delivery of medical and dental primary care to underserved communities. The real property tax exemptions under the bill are by municipal option, and cannot be predicted.

COMMITTEE AMENDMENTS:

The amendments add the provisions concerning practices within five miles of a HEZ.

The amendments also add a proportionalization provision to the gross income tax deduction allowance to account for the deduction from the taxable net income (measured after expenses) of the practice which is measured by a component of the gross income (measured before expenses) of the practice.

LEGISLATIVE FISCAL ESTIMATE
 [Second Reprint]
ASSEMBLY, No. 2638
STATE OF NEW JERSEY
211th LEGISLATURE

DATED: JULY 2, 2004

SUMMARY

Synopsis: Creates Health Enterprise Zones in certain municipalities to encourage establishment of certain primary care practices in medically underserved areas.

Type of Impact: Annual foregone revenue, Property Tax Relief Fund.

Agencies Affected: Department of the Treasury.
Municipal Governments.

Office of Legislative Services Estimate

Fiscal Impact	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007
State Cost	\$570,000	\$590,000	\$600,000
Local Cost	No Direct Cost	No Direct Cost	No Direct Cost

- ! The Office of Legislative Services (OLS) projects that about 250 primary care physicians and dentists in State designated underserved areas qualify for the incentives. OLS also anticipates that no primary care physician or dentist whose practice is located within five miles of a State designated underserved area will qualify for them.
- ! The OLS estimate reflects the cost of the gross income tax deduction. The low-interest loan program does not appear to entail a State cost. The municipal property tax exemption is optional, so that it does not create any direct cost to the State or municipal governments.

BILL DESCRIPTION

Assembly Bill No. 2638 (2R) of 2004 creates Health Enterprise Zones (HEZ) in State designated underserved areas. The bill institutes three financial incentives for primary care physicians and dentists who practice in HEZs to encourage them to establish and maintain medical and dental offices in those medically underserved communities:

--a gross income tax deduction of the amount of their net income from the practice that is proportional to their gross receipts from providing health care services to eligible recipients of the Medicaid program, the New Jersey FamilyCare program, and the Children's Health Care Coverage program at their practices located in an HEZ;

--low-interest loans, under a new loan program created under the bill and administered by the New Jersey Economic Development Authority, for the purposes of constructing and renovating their office spaces in an HEZ and purchasing medical equipment for use in their practices in an HEZ; and

--an exemption from taxation as real property for their qualified medical and dental offices located in an HEZ in which they provide health care services, if the municipality in which the HEZ is located adopts a resolution to that effect.

Qualifying primary care physicians and dentists who practice within five miles of an HEZ will also be allowed the gross income tax deduction and will be eligible for the loan program, but not for the optional property tax exemption, as municipalities outside of an HEZ will not be authorized to grant the exemption. To qualify for the gross income tax deduction and the loan program, qualified primary care physicians and dentists who practice within five miles of an HEZ must work at a practice that receives at least half of its gross practice receipts from providing health care services to eligible recipients of the Medicaid program, the New Jersey FamilyCare program, and the Children's Health Care Coverage program. In addition, at least half of those eligible Medicaid, FamilyCare, and Children's Health Care Coverage recipients to whom they provide services must be residents of an HEZ.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

In the absence of precise data, the Office of Legislative Services (OLS) expects this bill to decrease State gross income tax collections to be deposited into the Property Tax Relief Fund by roughly \$570,000 in fiscal year 2005, \$590,000 in fiscal year 2006, and \$600,000 in fiscal year 2007. This cost is solely attributable to the proposed gross income tax deduction. Since the bill authorizes, but does not require, municipalities to grant a property tax exemption, the optional exemption does not create a direct cost to either the State or municipal governments, yet if a municipality chooses to implement the exemption, it will have to absorb its cost. Also, the proposed low-interest loan program does not appear to have a State cost.

The OLS believes after consultation with the New Jersey Academy of Family Physicians (NJAFP), the American Academy of Family Physicians (AAFP), and the American Dental Association (ADA) that no physician or dentist practicing within five miles of an HEZ will meet the qualifications to claim the deduction. Since reimbursements from the Medicaid, FamilyCare, and Children's Health Care Coverage programs are relatively low, OLS doubts that a practice would be economically viable if it received at least half of its receipts from them. Hence, OLS expects only primary care physicians and dentists within HEZs to qualify for the deduction, as they do not face the same eligibility requirements. The 54 municipalities that are the current State designated underserved areas and future HEZs are listed in 31 N.J.R. 4126(b).

The OLS estimates that roughly 250 primary care physicians and dentists qualify for the deduction. The NJAFP database indicates approximately 120 members who practice in State designated underserved areas. Nationally, 70 to 80 percent of all primary care physicians are members of the AAFP, so that OLS assumes that the NJAFP number represents 75 percent of all primary care physicians practicing in future HEZs. To estimate the equivalent number of

dentists, OLS consults the "1997 Economic Census, New Jersey" and finds that the statewide number of dental offices was about 56 percent of physician offices in 1997. OLS applies that figure to the number primary care physicians in HEZs to project the number of dentists in HEZs.

The NJAFP reports that New Jersey primary care physicians have an average annual income of about \$135,000, a number which is slightly below the national 2002 average of roughly \$150,000, as reported by the American Medical Group Association's "Compensation and Productivity Survey" and the Medical Group Management Association's "Physician Compensation and Production Survey." OLS accepts the NJAFP number since it is likely that a physician practicing in a State designated underserved area has a below-average income, as a larger share of the physician's income is derived from the relatively low reimbursement rates from the above programs. For the same reason, OLS estimates that a dentist practicing in an HEZ earns on average \$140,000 per year, which is below the 2001 average of \$155,820 for the Mid-Atlantic region, as reported by the ADA.

OLS assumes that physicians and dentists in HEZs derive 30 percent of their annual income from Medicaid, FamilyCare, and Children's Health Care Coverage reimbursements. That number is equivalent to the highest share of income derived from Medicaid reimbursements that any primary care physician reported in a recent AAFP survey. OLS applies the applicable joint income tax rate to the approximated income share derived from the three above programs and totals the results. For fiscal years 2006 and 2007, OLS assumes an inflation rate of 2.5 percent.

Section: *Revenue, Finance and Appropriations*

Analyst: *Thomas Koenig*
Assistant Fiscal Analyst

Approved: *David J. Rosen*
Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.

SENATE, No. 1430

STATE OF NEW JERSEY 211th LEGISLATURE

INTRODUCED MARCH 29, 2004

Sponsored by:

Senator RONALD L. RICE

District 28 (Essex)

Senator BARBARA BUONO

District 18 (Middlesex)

Co-Sponsored by:

Senators Madden and Allen

SYNOPSIS

Creates Health Enterprise Zones in certain municipalities to encourage establishment of certain primary care practices in medically underserved areas.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/11/2004)

1 AN ACT creating Health Enterprise Zones in certain municipalities and
2 supplementing Title 54A of the New Jersey Statutes and Titles 34
3 and 54 of the Revised Statutes.

4

5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

7

8 1. As used in this act, "Health Enterprise Zone" means an area that
9 is designated by the Commissioner of Health and Senior Services as a
10 State designated underserved area pursuant to N.J.S.18A:71C-35.

11

12 2. A taxpayer who is providing primary care as defined by
13 N.J.S.18A:71C-32 at a practice that is located in a Health Enterprise
14 Zone created pursuant to section 1 of P.L. , c. , (C.) (now
15 before the Legislature as this bill) shall be allowed to deduct from the
16 taxpayer's gross income in a taxable year an amount equal to the
17 amount the taxpayer received for services at that practice from the
18 Medicaid program pursuant to P.L.1968, c.413 (C.30:4D-1 et seq.),
19 including amounts received from managed care organizations under
20 contract with the Medicaid program, the FamilyCare Health Coverage
21 Program pursuant to P.L.2000, c.71 (C.30:4J-1 et seq.), and the
22 Children's Health Care Coverage Program pursuant to P.L.1997, c.272
23 (C.30:4I-1 et seq.) for providing health care services to eligible
24 program recipients in that taxable year.

25

26 3. In consultation with the Commissioner of Health and Senior
27 Services, the Executive Director of the New Jersey Economic
28 Development Authority shall establish and administer a program that
29 makes low interest loans for the purposes of constructing and
30 renovating medical offices in Health Enterprise Zones as created
31 pursuant to section 1 of P.L. , c. , (C.) (now before the
32 Legislature as this bill) and purchasing medical equipment for use by
33 primary care providers as defined by N.J.S.18A:71C-32 at practices
34 located in Health Enterprise Zones. The executive director shall
35 promulgate regulations pursuant to the "Administrative Procedure
36 Act," P.L.1968, c.410 (C.52:14B-1 et seq.) necessary to effectuate the
37 purposes of this act.

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39 4. A municipality that has within its boundaries a Health Enterprise
40 Zone created pursuant to section 1 of P.L. , c. , (C.) (now
41 before the Legislature as this bill) may adopt a resolution that provides
42 for an exemption from taxation as real property of that portion of a
43 structure or building that is used to house a medical or dental primary
44 care practice as defined by N.J.S.18A:71C-32 and that is located in
45 that designated area. The exemption shall be in effect for tax years
46 that are within the period of designation as a State designated

1 underserved area and shall be contingent upon an annual application
2 therefor filed by the property owner with, and approved by, the local
3 tax assessor.

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5 5. a. Upon the granting of an exemption from taxation as real
6 property pursuant to section 4 of P.L. , c. , (C.) (now before
7 the Legislature as this bill), an owner of the building or structure
8 granted the exemption shall rebate to a tenant engaged in the medical
9 or dental primary care practice an amount equal to the exemption,
10 which may be a lump sum or rebated through discounted rental
11 payments.

12 b. The tenant engaged in the medical or dental primary care
13 practice or the owner of the building or structure granted the
14 exemption shall annually submit proof to the local tax assessor that the
15 amount of the property tax exemption pursuant to section 4 of
16 P.L. , c. , (C.) was rebated to the eligible tenant. If proof
17 satisfactory to the tax assessor is not provided in the manner that the
18 tax assessor shall establish, the exemption shall not be allowed for the
19 tax year and the owner of the property shall refund the amount of the
20 property tax exemption for that tax year to the municipal tax collector.

21
22 6. This act shall take effect on the 180th day following the date of
23 enactment.

24
25
26 STATEMENT

27
28 This bill creates Health Enterprise Zones in State designated
29 underserved areas to provide access to quality medical and dental
30 primary care for the traditionally medically underserved communities
31 in New Jersey. To that end, this bill institutes incentives to encourage
32 primary care physicians and dentists to set up and maintain their
33 medical and dental offices in the State's medically and dentally
34 underserved areas.

35 In order to become a Health Enterprise Zone, an area must be a
36 State designated underserved area. Qualified primary care physicians
37 and dentists who practice in a Health Enterprise Zone are allowed to
38 deduct from their gross income the amount they receive from
39 providing health care services to eligible recipients of the Medicaid
40 program and the New Jersey FamilyCare program at their practices
41 located in a Health Enterprise Zone. Under a new loan program
42 created under this bill and administered by the New Jersey Economic
43 Development Authority, they are also eligible to apply for low interest
44 loans for the purposes of constructing and renovating their office
45 spaces in a Health Enterprise Zone and purchasing medical equipment
46 for use in their practices in a Health Enterprise Zone.

S1430 RICE, BUONO

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1 Lastly, this bill authorizes the municipality in whose jurisdiction the
2 Health Enterprise Zone lies to grant an exemption from taxation as
3 real property to qualified medical and dental offices located in the
4 Health Enterprise Zone in which qualified primary care physicians and
5 dentists provide health care services.

SENATE HEALTH, HUMAN SERVICES AND SENIOR
CITIZENS COMMITTEE

STATEMENT TO

SENATE, No. 1430

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 10, 2004

The Senate Health, Human Services and Senior Citizens Committee reports favorably and with committee amendments Senate Bill No. 1430.

As amended by committee, this bill deems State-designated medically underserved areas as Health Enterprise Zones (HEZs) in order to provide access to quality medical and dental primary care for medically underserved communities by providing financial incentives to encourage primary care physicians and dentists to establish and maintain medical and dental offices in and near those areas.

An area that is designated by the Commissioner of Health and Senior Services as a State-designated medically underserved area pursuant to N.J.S.A.18A:71C-35 is to be deemed an HEZ for the purposes of this bill. Qualified primary care physicians and dentists who practice in an HEZ will be:

--allowed to deduct from their taxable income an amount of their net income from the practice that is proportional to their gross receipts from providing health care services to eligible recipients of Medicaid and the NJ FamilyCare programs at their practices located in an HEZ;

--eligible to apply for low-interest loans, under a new loan program established under the bill and administered by the New Jersey Economic Development Authority, for the purposes of constructing and renovating their office spaces in an HEZ and purchasing medical equipment for use in their practices in an HEZ; and

--eligible for an exemption from taxation as real property for their qualified medical and dental offices located in an HEZ in which they provide health care services, if the municipality in which the HEZ is located adopts a resolution to that effect.

Primary care physicians and dentists who practice within five miles of an HEZ will also be allowed the gross income tax deduction and will be eligible for the loan program if at least half of their gross receipts at the practice are from providing health care services to eligible recipients of Medicaid and the NJ FamilyCare programs and at least half of those eligible Medicaid and NJ FamilyCare recipients

to whom they provide services are residents of an HEZ.

The bill takes effect on the 180th day after enactment, except that the gross income deductibility provisions of the bill will apply to taxable years beginning after enactment.

The committee amendments:

-- clarify that areas designated by the Commissioner of Health and Senior Services as medically underserved areas are deemed HEZs;

-- add the provisions concerning practices within five miles of an HEZ; and

-- add a proportionalization provision to the gross income tax deduction allowance so that the deduction will be an amount equal to that proportion of the taxpayer's net income deriving from that practice for the taxable year that the qualified receipts of that practice for the taxable year bear to the total amount received for services at that practice for the taxable year.

Other amendments are technical in nature.

As amended by committee, this bill is identical to Assembly Bill No. 2638 (2R) (Sires, Caraballo and McKeon).

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 1430

STATE OF NEW JERSEY

DATED: JUNE 18, 2004

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1430 (1R).

This bill creates Health Enterprise Zones (HEZ) in State designated underserved areas. The bill institutes three financial incentives for primary care physicians and dentists who practice in HEZs to encourage them to establish and maintain medical and dental offices in those medically underserved communities:

- a gross income tax deduction of the amount of their net income from the practice that is proportional to their gross receipts from providing health care services to eligible recipients of the Medicaid program, the New Jersey FamilyCare program, and the Children's Health Care Coverage program at their practices located in an HEZ;

- low-interest loans, under a new loan program created under the bill and administered by the New Jersey Economic Development Authority, for the purposes of constructing and renovating their office spaces in an HEZ and purchasing medical equipment for use in their practices in an HEZ; and

- an exemption from taxation as real property for their qualified medical and dental offices located in an HEZ in which they provide health care services, if the municipality in which the HEZ is located adopts a resolution to that effect.

Qualifying primary care physicians and dentists who practice within five miles of an HEZ will also be allowed the gross income tax deduction and will be eligible for the loan program, but not for the optional property tax exemption, as municipalities outside of an HEZ will not be authorized to grant the exemption. To qualify for the gross income tax deduction and the loan program, qualified primary care physicians and dentists who practice within five miles of an HEZ must work at a practice that receives at least half of its gross practice receipts from providing health care services to eligible recipients of the Medicaid program, the New Jersey FamilyCare program, and the Children's Health Care Coverage program. In addition, at least half of those eligible Medicaid, FamilyCare, and Children's Health Care Coverage recipients to whom they provide services must be residents of an HEZ.

FISCAL IMPACT

In the absence of precise data, the Office of Legislative Services (OLS) expects this bill to decrease State gross income tax collections to be deposited into the Property Tax Relief Fund by roughly \$570,000 in fiscal year 2005, \$590,000 in fiscal year 2006, and \$600,000 in fiscal year 2007. This cost is solely attributable to the proposed gross income tax deduction. Since the bill authorizes, but does not require, municipalities to grant a property tax exemption, the optional exemption does not create a direct cost to either the State or municipal governments, yet if a municipality chooses to implement the exemption, it will have to absorb its cost. Also, the proposed low-interest loan program does not appear to have a State cost.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 1430

STATE OF NEW JERSEY

211th LEGISLATURE

DATED: JULY 7, 2004

SUMMARY

- Synopsis:** Creates Health Enterprise Zones in certain municipalities to encourage establishment of certain primary care practices in medically underserved areas.
- Type of Impact:** Annual foregone revenue, Property Tax Relief Fund.
- Agencies Affected:** Department of the Treasury.
Municipal Governments.

Office of Legislative Services Estimate

Fiscal Impact	FY 2005	FY 2006	FY 2007
State Cost	\$570,000	\$590,000	\$600,000
Local Cost	No Direct Cost	No Direct Cost	No Direct Cost

- ! The Office of Legislative Services (OLS) projects that about 250 primary care physicians and dentists in State designated underserved areas qualify for the incentives. OLS also anticipates that no primary care physician or dentist whose practice is located within five miles of a State designated underserved area will qualify for them.
- ! The OLS estimate reflects the cost of the gross income tax deduction. The low-interest loan program does not appear to entail a State cost. The municipal property tax exemption is optional, so that it does not create any direct cost to the State or municipal governments.

BILL DESCRIPTION

Senate Bill No. 1430 (1R) of 2004 creates Health Enterprise Zones (HEZ) in State designated underserved areas. The bill institutes three financial incentives for primary care physicians and dentists who practice in HEZs to encourage them to establish and maintain medical and dental offices in those medically underserved communities:

--a gross income tax deduction of the amount of their net income from the practice that is proportional to their gross receipts from providing health care services to eligible recipients of

the Medicaid program, the New Jersey FamilyCare program, and the Children's Health Care Coverage program at their practices located in an HEZ;

--low-interest loans, under a new loan program created under the bill and administered by the New Jersey Economic Development Authority, for the purposes of constructing and renovating their office spaces in an HEZ and purchasing medical equipment for use in their practices in an HEZ; and

--an exemption from taxation as real property for their qualified medical and dental offices located in an HEZ in which they provide health care services, if the municipality in which the HEZ is located adopts a resolution to that effect.

Qualifying primary care physicians and dentists who practice within five miles of an HEZ will also be allowed the gross income tax deduction and will be eligible for the loan program, but not for the optional property tax exemption, as municipalities outside of an HEZ will not be authorized to grant the exemption. To qualify for the gross income tax deduction and the loan program, qualified primary care physicians and dentists who practice within five miles of an HEZ must work at a practice that receives at least half of its gross practice receipts from providing health care services to eligible recipients of the Medicaid program, the New Jersey FamilyCare program, and the Children's Health Care Coverage program. In addition, at least half of those eligible Medicaid, FamilyCare, and Children's Health Care Coverage recipients to whom they provide services must be residents of an HEZ.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

In the absence of precise data, the Office of Legislative Services (OLS) expects this bill to decrease State gross income tax collections to be deposited into the Property Tax Relief Fund by roughly \$570,000 in fiscal year 2005, \$590,000 in fiscal year 2006, and \$600,000 in fiscal year 2007. This cost is solely attributable to the proposed gross income tax deduction. Since the bill authorizes, but does not require, municipalities to grant a property tax exemption, the optional exemption does not create a direct cost to either the State or municipal governments, yet if a municipality chooses to implement the exemption, it will have to absorb its cost. Also, the proposed low-interest loan program does not appear to have a State cost.

The OLS believes after consultation with the New Jersey Academy of Family Physicians (NJAFP), the American Academy of Family Physicians (AAFP), and the American Dental Association (ADA) that no physician or dentist practicing within five miles of an HEZ will meet the qualifications to claim the deduction. Since reimbursements from the Medicaid, FamilyCare, and Children's Health Care Coverage programs are relatively low, OLS doubts that a practice would be economically viable if it received at least half of its receipts from them. Hence, OLS expects only primary care physicians and dentists within HEZs to qualify for the deduction, as they do not face the same eligibility requirements. The 54 municipalities that are the current State designated underserved areas and future HEZs, are listed in 31 N.J.R. 4126(b).

OLS estimates that roughly 250 primary care physicians and dentists qualify for the

deduction. The NJAFP database indicates approximately 120 members who practice in State designated underserved areas. Nationally, 70 to 80 percent of all primary care physicians are members of the AAFP, so that OLS assumes that the NJAFP number represents 75 percent of all primary care physicians practicing in future HEZs. To estimate the equivalent number of dentists, OLS consults the "1997 Economic Census, New Jersey" and finds that the statewide number of dental offices was about 56 percent of physician offices in 1997. OLS applies that figure to the number primary care physicians in HEZs to project the number of dentists in HEZs. The NJAFP reports that New Jersey primary care physicians have an average annual income of about \$135,000, a number which is slightly below the national 2002 average of roughly \$150,000, as reported by the American Medical Group Association's "Compensation and Productivity Survey" and the Medical Group Management Association's "Physician Compensation and Production Survey." OLS accepts the NJAFP number since it is likely that a physician practicing in a State designated underserved area has a below-average income, as a larger share of the physician's income is derived from the relatively low reimbursement rates from the above programs. For the same reason, OLS estimates that a dentist practicing in an HEZ earns on average \$140,000 per year, which is below the 2001 average of \$155,820 for the Mid-Atlantic region, as reported by the ADA.

The OLS assumes that physicians and dentists in HEZs derive 30 percent of their annual income from Medicaid, FamilyCare, and Children's Health Care Coverage reimbursements. That number is equivalent to the highest share of income derived from Medicaid reimbursements that any primary care physician reported in a recent AAFP survey. OLS applies the applicable joint income tax rate to the approximated income share derived from the three above programs and totals the results. For fiscal years 2006 and 2007, OLS assumes an inflation rate of 2.5 percent.

Section: *Revenue, Finance and Appropriations*

Analyst: *Thomas Koenig*
Assistant Fiscal Analyst

Approved: *David J. Rosen*
Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.

Office of the Governor

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News Releases

RELEASE: September 02, 2004

[Previous Screen](#)

McGreevey Signs Bills Protecting the Health of NJ's Families

Creates Immunization Registry for Children; Establishes Health Enterprise Zones Providing Access to Quality Care in Underserved Communities

(TRENTON) – Governor James E. McGreevey today signed into law A2240, the “Statewide Immunization Registry Act,” and A2638, which creates Health Enterprise Zones to provide access to quality medical care for residents of certain medically underserved municipalities.

“Protecting the health of New Jersey’s families is our most paramount obligation,” said Governor McGreevey. “Today, we help to fulfill that obligation with a significant step to secure a healthy future for all of New Jersey’s children. By establishing a registry of childhood immunizations, we help ensure that every child begins his or her life with the best protection possible against some of the world’s most life-threatening diseases.”

A2240, the “Statewide Immunization Act,” creates an automated and electronic immunization registry to compile and maintain immunization and preventative health screening records. The state Department of Health and Senior Services (DHSS) will oversee the centralized registry. The registry will serve as a single repository of immunization records for New Jersey's children and will be used to ensure that registrants receive all recommended immunizations; to improve immunization rates by sending notice of overdue or upcoming required immunizations; to require immediate immunization in the event of a vaccine-preventable communicable disease outbreak; and to work with the Centers for Disease Control and Prevention’s health advisories and immunization recommendations.

Health care providers, schools and colleges, licensed childcare centers, and public and private agencies will have immediate access to the registry. A newborn infant will be included in the registry at birth unless a parent or legal guardian provides a written request denying participation in the database. Parents or legal guardians of children born before the

enactment of this bill can voluntarily enroll their child in the registry.

"The number of vaccines available to children has shot up in recent years," said Senator Joseph Vitale, D-Middlesex and Chair of the Senate Health, Human Services & Senior Citizens Committee. "It can be very difficult for parents to track which vaccines their children have and which ones they will soon need. This registry will provide parents, doctors and schools with a quick and powerful tool to ensure that children stay up to date with their shots. It will go a long way toward promoting good health practices in New Jersey's kids."

"As students in the State prepare to go back to school, it is necessary that they have the proper tools to excel," said Senator John H. Adler, D-Camden. "As parents pick up notebooks and pens and other classroom essentials, they should keep in mind that good health is possibly the most important aspect to ensure success in school. With schools having greater ability to monitor vaccinations through a statewide computer database, we can make sure that our State's kids are focusing on school work, and not health problems, in the coming school year."

"Readily accessible immunization records will provide emergency responders with an immediate sense of who could face a greater risk if exposed to toxic bio-chemical agents or contagious antibodies," said Assemblywoman Joan M. Quigley, D-Hudson, chairwoman of the Assembly Homeland Security and State Preparedness Committee. "This registry will be an invaluable resource."

"In the event of a contagious outbreak, the registry will save precious minutes when identifying potentially at-risk youths and adults who should be quarantined or carefully monitored," said Assemblyman Robert L. Morgan, D-Monmouth, a practicing pediatrician.

"Preparation is always the best defense," said Assemblyman Robert M. Gordon, D-Bergen. "This registry is a precaution that in the end could save many lives."

A2638, also signed into law today, creates Health Enterprise Zones (HEZ) in certain municipalities to encourage establishment of certain primary care practices in medically underserved areas.

"Fulfilling our obligation to protect the health of our families also means ensuring every family in New Jersey has access to top-quality medical care, regardless of where they live," said Governor McGreevey. "Today we mark a milestone in meeting that obligation, with the establishment of Health Enterprise Zones. With this new law, we expand access to quality health care for medically underserved communities, by offering incentives to physicians and dentists that practice in those communities. These Zones will help provide peace of mind to every family, that when confronted with the challenge of illness, medical care will be available."

"New Jersey residents who live in urban areas need to have access to medical and dental offices," said Senator Ronald L. Rice, D-Essex. "Urban residents who have limited

transportation options tend to forgo regular check-ups that are necessary to remain a healthy individual. By bringing the doctors to them, we are providing a great service to those in urban areas who have slipped through the cracks in our State's health care system."

"Health Care Enterprise Zones will provide medical safety nets for residents who might otherwise have insufficient access to care," said Assembly Speaker Albio Sires, D-Hudson. "We need to provide every possible incentive to draw primary care physicians back into New Jersey's urban centers, where too many of our residents do not have ready access to basic medical care. Local primary care providers are critical links in providing accessible medical services to every New Jerseyan."

"Our State's urban centers are tragically underserved by the medical community, and we need to take action to reverse this trend," said Senator Barbara Buono, D-Middlesex. "By offering incentives to doctors to set up shop in New Jersey's cities, we can begin to bridge the gap between the haves and the have-nots in terms of health care opportunities. Many of the families in these areas are experiencing major health problems that could otherwise have been avoided with regular visits to a doctor. With this measure we can move forward and get medical attention to those New Jerseyans who have traditionally been unable to find a doctor within their local vicinity."

"Bringing doctors back into our underserved communities will provide basic medical care access for countless residents currently lacking sufficient health services," said Assemblyman Wilfredo Caraballo, D-Essex. "Low-interest loans will greatly help physicians shoulder the costs of starting or expanding medical offices in underserved urban centers. The cost of medical equipment or the construction of an office should not be a deterrent to establishing a medical practice that would provide critical health care in underserved neighborhoods."

Under this new law, qualified primary care physicians and dentists who practice in an HEZ will be: allowed to deduct from their taxable income an amount of their net income from the practice that is proportional to their gross receipts from providing health care services to eligible recipients of the Medicaid program and the New Jersey FamilyCare program at their practices located in an HEZ. They also will be eligible to apply for low-interest loans, under a new loan program created under the bill and administered by the New Jersey Economic Development Authority, for the purposes of constructing and renovating their office spaces in an HEZ and purchasing medical equipment for use in their practices in an HEZ; and eligible for an exemption from taxation as real property for their qualified medical and dental offices located in an HEZ in which they provide health care services, if the municipality in which the HEZ is located adopts a resolution to that effect.

Primary care physicians and dentists who practice within five miles of an HEZ will also be allowed the gross income tax deduction and will be eligible for the loan program if at least half of their gross receipts at the practice are from providing health care services to eligible recipients of the Medicaid program and the New Jersey FamilyCare program and at least half of those eligible Medicaid and FamilyCare recipients to whom they provide services are residents of an HEZ.

Copies of the legislation signed by Governor McGreevey may be viewed by entering the bill numbers at <http://www.njleg.state.nj.us/>.

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