

ASSEMBLY, No. 488

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

Assemblyman JAY WEBBER

District 26 (Essex, Morris and Passaic)

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District 33 (Hudson)

Co-Sponsored by:

Assemblyman DiMaio and Assemblywoman Chaparro

SYNOPSIS

Excludes certain Medicaid income from gross income tax.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 **AN ACT** excluding from gross income taxation certain Medicaid
2 income, supplementing chapter 6 of Title 54A of the New Jersey
3 Statutes.

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

7
8 1. a. Gross income shall not include an amount equal to that
9 proportion of net income derived from New Jersey Medicaid
10 practice for the taxable year that the qualified Medicaid receipts of
11 that practice for the taxable year bear to the total amount received
12 for services at that practice for the taxable year.

13 b. As used in this section:

14 “New Jersey Medicaid practice” means a medical practice within
15 the State in which a State-licensed physician engages in activities
16 such as exercising medical judgments, communicating medical
17 judgments and diagnoses to patients and other health care providers,
18 and the performance of medical services such as, but not limited to,
19 physical examinations and surgical procedures, with regard to
20 patients of that practice who are recipients of Medicaid.

21 “Qualified Medicaid receipts” means amounts received for
22 services from the Medicaid program pursuant to P.L.1968, c.413
23 (C.30:4D-1 et seq.), including amounts received from managed care
24 organizations under contract with the Medicaid program for
25 providing health care services to eligible program recipients.

26
27 2. This act shall take effect immediately and shall apply to
28 taxable years beginning on or after the January 1 next following the
29 date of enactment.

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31
32 **STATEMENT**

33
34 This bill excludes from gross income taxation certain Medicaid
35 income that would otherwise be taxable in order to incentivize
36 physicians and medical practices to treat Medicaid patients.
37 Taxpayer physicians and medical practices in the State that are
38 organized as limited liability companies or partnerships benefit
39 from this exclusion. The amount of the exclusion is equal to that
40 proportion of net income from the provision of medical services to
41 Medicaid patients in the State that the total Medicaid receipts of
42 that practice for the taxable year bear to the total amount received
43 for medical services at that practice for the taxable year.

44 The manner in which the amount of the exclusion is derived
45 provides an incentive for physicians and practices to increase the
46 numbers of Medicaid patients in their practices. Increased numbers
47 of newly Medicaid-eligible and insured patients, resulting from the
48 implementation of the federal Affordable Care Act, are in need of

- 1 physicians for their health care needs. Accordingly, this bill acts to
- 2 incentivize physicians and practices to treat Medicaid recipients by
- 3 making what would otherwise be the taxable portion of Medicaid
- 4 income, free of income taxation by the State.