Health Enterprise Zones

This Act enables the state commissioner of health and senior services to designate medically underserved areas as Health Enterprise Zones (HEZs) and to offer financial incentives to doctors and dentists to practice in an HEZ. 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 state 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 state 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 state FamilyCare program and at least half of those eligible Medicaid and FamilyCare recipients to whom they provide services are residents of an HEZ.

Submitted as:
New Jersey
Chapter 139 of 2004
Status: Enacted into law in 2004.

Suggested State Legislation

(Title, enacting clause, etc.)

Section 1. [Short Title.] This Act may be cited as “An Act Creating Health Enterprise Zones In Certain Municipalities.”

Section 2. [Designation of "Health Enterprise Zones.] Each area that is designated by the [Commissioner of Health and Senior Services] as an underserved area pursuant to [insert citation] shall be deemed to be a “Health Enterprise Zone” for the purposes of this Act.

Section 3. [Tax Deduction for Qualified Receipts, Definitions.] (A) A taxpayer who is providing primary care as defined in [insert citation] at a practice that is located in a Health Enterprise Zone or a qualified practice that is located within [5 miles] of a Health Enterprise Zone; shall be allowed to deduct from the taxpayer's gross income in a taxable year 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.
(B) For the purposes of this section; “Qualified practice” means a practice at which [50% or more] of the total amount received for services at that practice for the taxable year are qualified receipts and [50% or more] of the patients whose services are compensated by qualified receipts reside in a Health Enterprise Zone. “Qualified receipts” means amounts received for services from the Medicaid program pursuant to [insert citation], including amounts received from managed care organizations under contract with the Medicaid program, the [FamilyCare Health Coverage Program] pursuant to [insert citation], and the [Children's Health Care Coverage Program] pursuant to [insert citation] for providing health care services to eligible program recipients.

Section 4. [Low-Interest Loans for Medical Offices in Health Enterprise Zones, Definitions.]

(A) In consultation with the [Commissioner of Health and Senior Services], the [Executive Director of the state Economic Development Authority] shall establish and administer a program to make low-interest loans available to construct and renovate medical offices in Health Enterprise Zones and the offices of a qualified practice that is located within [5 miles] of a Health Enterprise Zone and to purchase medical equipment for use by primary care providers as defined in [insert citation] at practices located in Health Enterprise Zones or at qualified practices that are located within [5 miles] of a Health Enterprise Zone. The [executive director] shall adopt rules and regulations, pursuant to this state’s [Administrative Procedure Act], [insert citation], necessary to effectuate the purposes of this section.

(B) For the purposes of this section, “Qualified practice” means a practice at which [50%] or more of the total amount received for services at that practice for the taxable year are qualified receipts and [50%] or more of the patients whose services are compensated by qualified receipts reside in a Health Enterprise Zone. “Qualified receipts” means amounts received for services from the Medicaid program pursuant to [insert citation], including amounts received from managed care organizations under contract with the Medicaid program, the [FamilyCare Health Coverage Program] pursuant to [insert citation], and the [Children's Health Care Coverage Program] pursuant to [insert citation] for providing health care services to eligible program recipients.

Section 5. [Resolution to Provide Property Tax Exemption for Medical Practices in Health Enterprise Zones.] A municipality that has within its boundaries a Health Enterprise Zone may adopt a resolution that provides for an exemption from taxation as real property of that portion of a structure or building that is used to house a medical or dental primary care practice that is located in that designated area. The exemption shall be in effect for tax years that are within the period of designation as a state designated underserved area and shall be contingent upon an annual application filed by the property owner with, and approved by, the local tax assessor.

Section 6. [Tenant Rebate to Dental Practice, Administration.]

(A) Upon the granting of an exemption from taxation as real property, an owner of the building or structure granted the exemption shall rebate to a tenant engaged in the medical or dental primary care practice an amount equal to the exemption, which may be a lump sum or rebated through discounted rental payments.

(B) The tenant engaged in the medical or dental primary care practice or the owner of the building or structure granted the exemption shall annually submit proof to the local tax assessor that the amount of the exemption was rebated to the eligible tenant. If proof satisfactory to the tax assessor is not provided in the manner that the tax assessor shall establish, the exemption
shall not be allowed for the tax year and the owner of the property shall refund the amount of the exemption for that tax year to the municipal tax collector.

Section 7. [Severability.] [Insert severability clause.]

Section 8. [Repealer.] [Insert repealer clause.]

Section 9. [Effective Date.] [Insert effective date.]