

DEPARTMENT OF TAXATION

2026 Fiscal Impact Statement

1. **Patron** Virgil Thornton

3. **Committee** House Finance

4. **Title** Individual Income Tax: Certain Health Care
Providers Tax Credit

2. **Bill Number** HB 1123

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would provide a nonrefundable individual income tax credit for eligible health care providers who provide health care in an underserved community during the taxable year. Eligible health care providers may claim a \$5,000 credit if they have provided at least 1,600 hours of qualifying health care, or a \$2,500 credit if they have provided at least 800 hours of qualifying health care. The aggregate amount of all credits claimed by all taxpayers would be capped at \$5 million per taxable year.

This bill would become effective for taxable years beginning on and after January 1, 2026, but before January 1, 2031.

6. **Budget amendment necessary:** Yes.

Item(s): Page 1, Revenue Estimates
261 and 263 Department of Taxation

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

7a. **Expenditure Impact:**

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Positions</i> | <i>Fund</i> |
|---------------------------|-----------------------|-------------------------|--------------------|
| 2026-27 | (\$284,937) | 1 | GF |
| 2027-28 | (\$149,100) | 1 | GF |
| 2028-29 | (\$90,300) | 1 | GF |
| 2029-30 | (\$89,700) | 1 | GF |
| 2030-31 | (\$88,800) | 1 | GF |

7b. **Revenue Impact:**

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Fund</i> |
|---------------------------|-----------------------|--------------------|
| 2026-27 | (\$5 million) | GF |
| 2027-28 | (\$5 million) | GF |
| 2028-29 | (\$5 million) | GF |
| 2029-30 | (\$5 million) | GF |
| 2030-31 | (\$5 million) | GF |

8. Fiscal implications:

Administrative Costs

The Department of Taxation (“the Department”) would incur estimated expenditures as shown above. Such costs would primarily consist of updating the Department’s forms and systems to implement the credit and the hiring of one new full-time employee to administer it.

Because of the implementation and release schedule for the Integrated Revenue Management System (“IRMS”) replacement project, this legislation will not be impacted by such project if enacted during the 2026 Regular Session of the General Assembly. For more information on the new system implementation releases, see the [2025 Status Report on the Replacement of the Integrated Revenue Management System](#) (IRMS).

Revenue Impact

This bill would have an estimated negative General Fund revenue impact as shown on Line 7b. Using data from the 2024 American Community Survey, the Department estimates that there are approximately 35,000 individuals in both qualifying occupations and locations that could be eligible for this credit. If only 1,000 of those 35,000 individuals applied for the \$5,000 credit in a given year, the \$5 million cap would be reached. As a result, the Department anticipates that this credit would be oversubscribed, meaning the amount of credits requested would exceed the credit cap on an annual basis.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Proposal

This bill would provide a nonrefundable individual income tax credit for eligible health care providers who provide health care in an underserved community during the taxable year. Eligible health care providers may claim a \$5,000 credit if they have provided at least 1,600 hours of qualifying health care, or a \$2,500 credit if they have provided at least 800 hours of qualifying health care. The aggregate amount of all credits claimed by all taxpayers would be capped at \$5 million per taxable year.

Credits would be issued on a first-come, first-served basis, and would be limited to one credit per eligible health care provider per year for a maximum of two taxable years. The amount of the credit claimed could not exceed the taxpayer’s income tax liability for that

taxable year. The taxpayer would be allowed to carry forward any unused credit amount for five years.

“Eligible health care provider” would mean any nurse practitioner jointly licensed by the Boards of Medicine and Nursing; physician assistant licensed by the Board of Medicine; doctor licensed to practice medicine or osteopathic medicine by the Board of Medicine; advanced practice registered nurse; registered professional nurse licensed to practice professional nursing; individual authorized to provide behavioral health services; social worker; individual authorized by the Board of Counseling to provide therapeutic services; or veterinarian authorized to practice veterinary medicine.

“Underserved community” would mean an area within the Commonwealth identified by the Board of Health as medically underserved.

The Tax Commissioner, in consultation with the Board of Health, is required to develop guidelines for claiming the credit.

This bill would become effective for taxable years beginning on and after January 1, 2026, but before January 1, 2031.

cc : Secretary of Finance

Date: 01/31/2026 ALS
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