



Private Letter Ruling
Redacted Version
No. 03-012
November 7, 2003
Individual Income Tax
Small Town Doctor's Credit

This is in reply to your request for a private letter ruling concerning the application of the Small Town Doctor's Credit, La. Rev. Stat. Ann. § 47:297(H). Specific clarification of the requirement that the medical doctor must have relocated from outside of the community Hospital A's service area was requested.

Facts

Doctor A completed his medical education from an out of state university in 2002. While working as a doctor in residency at the out of state university, he was recruited by Hospital A in City A, Louisiana, to establish and maintain a practice as an orthopedic surgeon. Upon completion of his residency, Doctor A relocated from out of state to City A, Louisiana in 2002 and established his orthopedic practice. He is a certified medical doctor with an unrestricted license to practice medicine in Louisiana. He has established his permanent residence and medical practice in Louisiana and plans to stay. His practice accepts Medicaid and Medicare payments.

Discussion:

La. Rev. Stat. Ann. § 47:297(H) provides a tax credit to be taken by taxpayers who are certified medical doctors (M.D.), possess an unrestricted license to practice medicine in Louisiana, accept Medicaid and Medicare payments, and meet specified conditions for practicing in a rural community in Louisiana. Effective June 25, 2002, the credit is also available to dentists. The credit is the lesser of the tax due or \$5,000 per tax year, up to a maximum of five years, for each qualified taxpayer.

Specifically, La. Rev. Stat. Ann. § 47:297(H)(2)(b) provides that the taxpayer shall establish and maintain, after July 1, 1991, the primary office of his practice within twenty miles of a community hospital not owned predominantly by other physicians. The statute requires that both the office and the hospital be located more than twenty miles from the nearest incorporated city with a population in excess of thirty thousand persons, provided that the medical doctor has relocated from outside of the service area of the community hospital.

Service areas are determined by the particular hospital. It is the area from which the hospital receives the majority of its patients. Factors such as geography, road conditions, transportation, and services provided by the hospital determine the service area.

November 7, 2003

Hospital A is a 168-bed facility. Its primary service area includes the cities of A, B, C, and D. Its secondary service area includes the cities of E, F, G, H, I, and J.

Hospital A is not owned predominantly by other physicians. Healthcare Company owns Hospital A. Healthcare Company was founded by an equity investment firm to acquire and develop a nationwide system of hospitals in non-urban markets.

According to 2000 US Census data, the population of City A is less than 30,000. The nearest cities with populations in excess of 30,000 are more than 20 miles from City A.

Ruling:

Under the facts provided and necessary assumptions, Doctor A is eligible for the Small Town Doctor's Credit. He has relocated from outside the service area of Hospital A. The hospital is not owned predominantly by other physicians. His office is located within 20 miles of Hospital A. Both his office and the hospital are more than 20 miles from the nearest city with a population in excess of 30,000 persons. His practice accepts Medicare and Medicaid payments.

If you have any questions or need additional information, please call Michael Pearson, Senior Policy Consultant, or Bettye Winham, Revenue Tax Research Analyst, Policy Services Division, at 225-219-2780.

Sincerely

Cynthia Bridges
Secretary

By: Bettye Winham
Revenue Tax Research Analyst
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