

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
 Third Reader

Senate Bill 92

(Senator Eckardt)

Budget and Taxation

Ways and Means

Income Tax - Credits for Preceptors in Areas With Health Care Workforce Shortages - Eligibility and Sunset Repeal

This bill repeals the termination dates of the licensed physician and nurse practitioner preceptor income tax credits. The bill also alters eligibility for the licensed physician preceptorship tax credit by specifying that, in order to qualify, each rotation worked by a qualifying preceptor must consist of at least 100 hours of community-based clinical training. **The bill takes effect June 1, 2021, and applies to tax years 2021 and beyond.**

Fiscal Summary

State Effect: General fund revenues may decrease by \$75,000 annually beginning in FY 2022 due to the extension of the licensed physician preceptor tax credit. Special fund revenues and expenditures at the Maryland Department of Health (MDH) may increase by \$40,000 annually beginning in FY 2022 due to the extension of the nurse practitioner tax credit.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GF Revenue	(\$75,000)	(\$75,000)	(\$75,000)	(\$75,000)	(\$75,000)
SF Revenue	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
SF Expenditure	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
Net Effect	(\$75,000)	(\$75,000)	(\$75,000)	(\$75,000)	(\$75,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Chapters 385 and 386 of 2016 established the physician and nurse practitioner preceptorship tax credits. The nonrefundable income tax credits may be claimed by a licensed physician or nurse practitioner who serves without compensation as a preceptor in an approved preceptorship program. Tax credit applications are approved on a first-come, first-served basis until the maximum limit is reached for each credit. The Acts terminate June 30, 2021.

MDH reports that in tax year 2019 the department approved 34 applications and awarded a total of \$149,000 in tax credits, \$68,000 of which was awarded to licensed physicians and \$81,000 to nurse practitioners.

Licensed Physician Preceptorship Tax Credit

A licensed physician must serve without compensation as a preceptor in a preceptorship program authorized by an accredited medical school in the State and work (1) at least three rotations with each rotation consisting of 160 hours of community-based clinical training and (2) in an area identified as having a health care workforce shortage.

Each year, MDH may issue up to \$100,000 in physician preceptorship credits. If the aggregate amount of tax credit certificates issued in a year is less than \$100,000, the excess amount may be issued in the next taxable year.

In each year, up to \$100,000 in unspent Health Personnel Shortage Incentive Grant (HPSIG) funds may be transferred or reverted to the general fund to offset the costs of the physician preceptorship tax credit.

Nurse Practitioner Preceptorship Tax Credit

A licensed physician or nurse practitioner must serve without compensation as a preceptor in a preceptorship program approved by the State Board of Nursing and work (1) at least three rotations with each rotation consisting of 100 hours of community-based clinical training and (2) in an area identified as having a health care workforce shortage.

Chapters 385 and 386 established a \$15 fee for the renewal of an advanced practice registered nurse certificate of a nurse practitioner and created a Nurse Practitioner Preceptorship Tax Credit Fund. The fee must be distributed to the fund, which is intended to offset the costs of the nurse practitioner preceptor tax credit. Each year, MDH may issue the lesser of \$100,000 in tax credit certificates or the total amount of money in the fund. If the aggregate amount of tax credit certificates issued in a year is less than \$100,000, the excess amount may be issued in the next taxable year.

State Fiscal Effect: The bill repeals the termination dates of the licensed physician and nurse practitioner preceptorship tax credits. The net impact on State finances will be an annual decrease of \$75,000 beginning in fiscal 2022.

Physician Preceptorship Tax Credit

MDH may award up to \$100,000 in tax credits in each year. Based on the history of the program, it is estimated that general fund revenues will decrease by \$75,000 annually beginning in fiscal 2022. General fund losses will be less to the extent unspent HPSIG funds are used to offset the cost of the tax credit.

Nurse Practitioner Tax Credit

MDH may issue the lesser of \$100,000 in tax credit certificates or the total amount of money in the Nurse Practitioner Tax Credit Fund. Special fund revenues and expenditures will increase by approximately \$40,000 annually beginning in fiscal 2022 due to the tax credit extension. Special fund revenues may also increase minimally in fiscal 2021.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 1195 (Delegate Adams) - Ways and Means.

Information Source(s): Comptroller's Office; Maryland Department of Health; Department of Legislative Services

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