

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 102

(Senator Eckardt)

Budget and Taxation

Ways and Means

Income Tax - Credits for Preceptors in Areas With Health Care Workforce Shortages

This bill extends to June 30, 2026, the termination dates of the licensed physician and nurse practitioner preceptor income tax credits. The bill also establishes a physician assistant preceptor income tax credit. The State Board of Physicians must assess a \$15 fee for the renewal of a physician assistant license to be paid to the Physician Assistant Preceptorship Tax Credit Fund to offset the costs of the physician assistant preceptor tax credit. **The bill generally takes effect June 1, 2021.**

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 at the Maryland Department of Health (MDH) may increase by \$65,000 annually beginning in FY 2022 due to the establishment of the physician assistant tax credit and extension of the nurse practitioner tax credit. Special fund expenditures may increase by \$40,000 in FY 2022 and by \$71,000 annually beginning in FY 2023 due to the physician’s assistant and nurse practitioner tax credits.

(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	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000
SF Expenditure	\$40,000	\$71,000	\$71,000	\$71,000	\$71,000
Net Effect	(\$50,000)	(\$81,000)	(\$81,000)	(\$81,000)	(\$81,000)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Physician Assistant Preceptor Tax Credit

For the physician assistant preceptor tax credit, a licensed physician, physician assistant, or nurse practitioner must serve without compensation as a preceptor in a preceptorship program approved by MDH 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.

MDH must issue a credit certificate of \$1,000 for each eligible student rotation for which the applicant served as a physician assistant preceptor without compensation, not to exceed \$10,000 per applicant. Tax credits may be claimed beginning in tax year 2022.

Tax credit applications are approved on a first-come, first-served basis until the maximum authorized credits are awarded. MDH may issue in each tax year the lesser of \$100,000 in tax credit certificates or the total amount of money in the Physician Assistant Preceptorship Tax Credit 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.

MDH must (1) report specified information to the Comptroller and the General Assembly by January 31 of each year and (2) in consultation with the Governor's Workforce Development Board, adopt regulations to implement the credit.

The tax credit program terminates June 30, 2026.

Licensed Physician Preceptor Tax Credit

Beginning in tax year 2021, the bill 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.

Maryland Department of Health Reporting Requirements

MDH must report specified information about the licensed physician, nurse practitioner, and physician assistant preceptor income tax credits to the General Assembly by December 1, 2025.

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 establishes a physician assistant preceptorship tax credit and extends the termination dates of the licensed physician and nurse practitioner preceptorship tax credits. The net impact on State finances will be a decrease of \$50,000 in fiscal 2022 and \$81,000 annually in fiscal 2023 through 2026.

Physician Preceptorship Tax Credit

MDH may award up to \$100,000 in tax credit certificates in each year. Based on the history of the program, it is estimated that general fund revenues will decrease by \$75,000 annually in fiscal 2022 through 2026. General fund losses will be less to the extent unspent HPSIG funds are used to offset the cost of the tax credit.

Nurse Practitioner Preceptorship Tax Credit

Each year, 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 in fiscal 2022 through 2026 due to the tax credit extension. Special fund revenues may also increase minimally in fiscal 2021.

Physician Assistant Preceptorship Tax Credit

The bill establishes a \$15 fee for the renewal of a physician assistant license and creates a Physician Assistant Preceptorship Tax Credit Fund. The fee must be distributed to the fund, which is intended to offset the costs of the physician assistant preceptor tax credit. Beginning in tax year 2022, MDH may issue the lesser of \$100,000 in tax credit certificates or the total amount of money in the fund each year.

Based on the total number of licensed physician assistants, special fund revenues will increase by about \$25,000 annually in fiscal 2022 through 2026. Special fund expenditures for tax credits are assumed to increase by an average of about \$31,000 in fiscal 2023 through 2026.

Additional Information

Prior Introductions: SB 788 of 2020, a similar bill, passed the Senate and was referred to the House Ways and Means Committee, but no further action was taken.

Designated Cross File: HB 1252 (Delegate Sample-Hughes) - Ways and Means.

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

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