

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 411

(Senator Eckardt, *et al.*)

Budget and Taxation

Ways and Means

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

This bill creates nonrefundable tax credits against the State income tax for a licensed physician or nurse practitioner who serves without compensation as a preceptor in an approved preceptorship program. The Department of Health and Mental Hygiene (DHMH) may issue up to \$100,000 for each of the physician preceptorship credits and nurse practitioner preceptorship credits each year. Up to \$100,000 of unspent funds in the Health Personnel Shortage Incentive Grant (HPSIG) program may be transferred to or revert to the general fund to offset the costs of the physician preceptorship tax credit. The Board of Nursing must assess a \$15 fee for the renewal of an advanced practice registered nurse certificate of a nurse practitioner to be paid to the Nurse Practitioner Preceptorship Tax Credit Fund to offset the costs of the nurse practitioner preceptor tax credit.

The bill takes effect July 1, 2016, and terminates June 30, 2021.

Fiscal Summary

State Effect: Special fund expenditures from the HPSIG program increase by \$100,000 annually in FY 2017 through 2019 due to HPSIG funds being transferred to the general fund to offset physician preceptor credits claimed against the income tax. Special fund revenues and expenditures increase by \$76,500 annually due to the nurse practitioner tax credit program beginning in FY 2017. General fund revenues decrease once the HPSIG fund and Nurse Practitioner Tax Credit fund balances are depleted. General fund expenditures increase by \$85,000 in FY 2017 due to implementation costs at DHMH and the Comptroller's Office. Future year estimates reflect ongoing operating expenses at DHMH.

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
GF Revenue	(\$23,500)	(\$23,500)	(\$23,500)	(\$58,800)	(\$123,500)
SF Revenue	\$76,500	\$76,500	\$76,500	\$76,500	\$76,500
GF Expenditure	\$85,000	\$26,000	\$26,800	\$27,600	\$28,400
SF Expenditure	\$176,500	\$176,500	\$176,500	\$141,200	\$76,500
Net Effect	(\$208,500)	(\$149,500)	(\$150,300)	(\$151,100)	(\$151,900)

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

Local Effect: None.

Small Business Effect: Minimal. Licensed physicians and nurse practitioners who serve without compensation as preceptors would benefit from the tax credit programs.

Analysis

Bill Summary: To qualify, the licensed physician or nurse practitioner must have worked at least three rotations with each rotation consisting of 160 hours of community-based clinical training and in an area that DHMH, in consultation with the Governor’s Workforce Investment Board, has identified as having a health care workforce shortage. DHMH must issue a credit certificate of \$1,000 for each student for whom the licensed physician or nurse practitioner served as a preceptor without compensation, not to exceed \$10,000 per physician or nurse practitioner.

For each tax credit, DHMH is required to approve tax credit applications and notify a taxpayer of its tax credit approval or denial within 45 days of receiving the application. Tax credit applications are approved on a first-come, first-served basis until the cap of \$100,000 for the year is reached for each credit. 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. DHMH must report to the Comptroller and the General Assembly by January 31 of each year on the credit, and DHMH, in consultation with the Governor’s Workforce Investment Board, must adopt regulations to implement the credit.

The bill establishes a \$15 fee for the renewal of an advanced practice registered nurse certificate of a nurse practitioner and creates the special, nonlapsing Nurse Practitioner Preceptorship Tax Credit Fund. The \$15 fee must be distributed to the fund, which is used to offset the costs of the nurse practitioner preceptor tax credit.

Current Law: HPSIG is funded by a percentage of physicians’ fees collected annually by the State Board of Physicians. HPSIG provides grants to eligible institutions of higher education that have programs leading to licensure, certification, or registration in health personnel shortage areas. The Secretary of Health and Mental Hygiene must annually certify health occupations experiencing shortages. Only the following health

occupations may qualify: (1) physical therapist or physical therapist assistant who has at least an associate's degree in physical therapy; (2) occupational therapist or occupational therapist assistant who has at least an associate's degree in occupational therapy; (3) radiographer; (4) respiratory therapist; (5) laboratory technician; (6) medical technologist; (7) pharmacist; (8) registered nurse or licensed practical nurse; or (9) physician who engages in family practice or pediatrics. Program awards are calculated based on a formula established in statute. The projected cumulative balance for HPSIF in fiscal 2017 is \$364,727. The [Fiscal 2017 Maryland Higher Education Commission Operating Budget Analysis](#) provides more details on HPSIG.

The Board of Nursing issues licenses for individuals to practice registered nursing or licensed practical nursing. The Board of Nursing may set reasonable fees for the issuance and renewal of licenses and other services, and the fees must be set to approximate the cost of maintaining the board. An advanced practice nurse is an individual who is licensed by the Board of Nursing to practice registered nursing and is certified to practice as a nurse practitioner, a nurse anesthetist, a nurse midwife, a nurse psychotherapist, or a clinical nurse specialist.

The Health Enterprise Zone (HEZ) Program, which terminates on June 30, 2017, provides public incentives and resources to help attract health care practitioners to serve in underserved communities. A HEZ is a designated contiguous geographic area that (1) demonstrates measurable and documented health disparities and poor health outcomes and (2) is small enough to allow for the incentives offered to have a significant impact on improving health outcomes and reducing racial, ethnic, and geographic health disparities.

There are two tax credits available under the HEZ initiative: an income tax credit for HEZ practitioners and a hiring tax credit. A qualified HEZ practitioner can claim a credit against the State income tax in an amount equal to 100% of the amount of the tax expected to be due from the HEZ practitioner from income to be derived from practice in the HEZ (as certified by DHMH) for the taxable year. A HEZ employer may claim a refundable credit of \$10,000 against the State income tax for hiring for a qualified position in the HEZ (as certified by DHMH) for the taxable year. A HEZ practitioner may create one or more qualified positions during any 24-month period. This refundable credit must be taken over a 24-month period, with one-half of the credit amount allowed each year. If the qualified position is filled for less than 24 months, the tax credit must be recaptured. Eligibility for these tax credits is limited by the availability of budgeted funds, as determined by DHMH. Certificates of eligibility are subject to approval by DHMH on a first-come, first-served basis, as determined by DHMH in its sole discretion.

State Fiscal Effect: The bill authorizes an annual maximum of \$100,000 in physician preceptorship credits in tax year 2016 through tax year 2020, and unspent HPSIG funds may be transferred or reverted to the general fund to offset the costs of the tax credit. It is

assumed that special fund revenues to HPSIG will be spent on grants each year, so the only funds available will be the current fund balance of \$364,727. As a result, annual special fund expenditures will increase by \$100,000 in fiscal 2017 through 2019, assuming the maximum amount of credits is claimed against the personal income tax. Special fund expenditures will increase by \$64,727, depleting the HPSIG fund balance, and general fund revenues decrease by \$35,273 in fiscal 2020. In fiscal 2021, general fund revenues will decrease by \$100,000. To the extent DHMH does not award the maximum amount of credits in each year, special fund expenditures and general fund revenue losses will be less than estimated. Additionally, current legislation, SB 217 of 2016, is being considered that may impact HPSIG funding levels.

The bill authorizes an annual maximum of \$100,000 in nurse practitioner preceptorship credits in tax year 2016 through tax year 2020, and establishes a \$15 fee for the renewal of an advanced practice registered nurse certificate for nurse practitioners to offset the costs of the tax credit. The Board of Nursing renews approximately 5,100 advanced practice registered nurse certifications annually for nurse practitioners, so special fund revenues to the Nurse Practitioner Preceptorship Tax Credit Fund increase by approximately \$76,500 annually from fiscal 2017 through 2021. Accordingly, annual special fund expenditures will increase by \$76,500 and general fund revenues will decrease by \$23,500 in fiscal 2017 through 2021. To the extent DHMH does not award the maximum amount of credits in each year, special fund expenditures and general fund revenue losses will be less than estimated.

General fund expenditures increase by \$85,000 in fiscal 2017 due to implementation costs at DHMH and the Comptroller’s Office.

DHMH advises that it would incur additional costs as a result of hiring one part-time contractual program administrator. As a result, general fund expenditures may increase minimally beginning in fiscal 2017. The Comptroller’s Office reports that it will incur a one-time expenditure increase of \$50,900 in fiscal 2017 to add the tax credits to the personal income tax form. This amount includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

Seasonal Contractual Position	0.50
Salary and Fringe Benefits	\$24,073
Operating Expenses	9,977
DHMH Expenditures	34,050
Comptroller Expenditures	50,938
Total FY 2017 Expenditures	<u>\$84,988</u>

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act.

Additional Information

Prior Introductions: None.

Cross File: HB 1494 (Delegate Sample-Hughes, *et al.*) - Ways and Means.

Information Source(s): Comptroller's Office; Maryland Higher Education Commission; Department of Health and Mental Hygiene; Department of Labor, Licensing, and Regulation; Department of Legislative Services

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Analysis by: Heather N. Ruby

Direct Inquiries to:
(410) 946-5510
(301) 970-5510