

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 496 (Delegate R. Lewis)

Ways and Means and Health and
 Government Operations

**Income Tax - Credits for Nursing Program Preceptors in Areas With Health
 Care Workforce Shortages - Alterations**

This bill reduces the number of training hours from 100 to 90 that specified health care practitioners are required to perform in a nursing program preceptor rotation in order to qualify for the nurse practitioner preceptorship State income tax credit and licensed practical nurse (LPN) and registered nurse (RN) preceptorship income tax credit. The bill repeals the June 30, 2025 termination date of the LPN and RN preceptorship tax credit. Once the nurse practitioner preceptorship income tax credit program expires on June 30, 2026, the bill reinstates the program – without a termination date and reflecting the minimum 90 hours of training required to be eligible for the tax credit. **The bill generally takes effect July 1, 2025.**

Fiscal Summary

State Effect: General fund expenditures increase by \$100,000 annually beginning in FY 2026. Special fund revenues and expenditures increase by \$100,000 in FY 2026 and by \$200,000 annually thereafter, as result of the nurse practitioner preceptorship and the LPN and RN preceptorship income tax credit programs not terminating.

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	\$100,000	\$200,000	\$200,000	\$200,000	\$200,000
GF Expenditure	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
SF Expenditure	\$100,000	\$200,000	\$200,000	\$200,000	\$200,000
Net Effect	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)

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: The bill is drafted so that the termination provision specified in Section 2 of Chapters 385 and 386 of 2016, as amended by Section 3 of Chapters 153 and 154 of 2021, takes effect, thus allowing the licensed physician and physician assistant preceptorship income tax credits to terminate on June 30, 2026. Therefore, the only preceptorship income tax credits that will exist after June 30, 2026, are the nurse practitioner preceptorship income tax credit and the LPN and RN preceptorship income tax credit.

Current Law: Chapters 385 and 386 established the licensed physician and nurse practitioner preceptorship tax credits, which were set to terminate on June 30, 2021. Chapters 153 and 154 extended the termination date to June 30, 2026, for those tax credits, and also established a physician assistant preceptorship income tax credit with a June 30, 2026 expiration date. Chapter 675 of 2022 established an LPN and RN preceptorship income tax credit with a termination date of June 30, 2025. Each of the preceptorship tax credits are discussed below.

Nurse Practitioner Preceptorship Income Tax Credit

Chapters 385 and 386 established the nurse practitioner preceptorship tax credit (as well as the physician preceptorship tax credit). The nonrefundable income tax credit may be claimed by a licensed nurse practitioner who serves without compensation as a preceptor in an approved preceptorship program. A licensed nurse practitioner must serve without compensation as a preceptor in a preceptorship program approved by the Maryland Board of Nursing (MBON) 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.

A \$15 fee for the renewal of an advanced practice registered nurse (APRN) certificate must be distributed to the Nurse Practitioner Preceptorship Tax Credit Fund, which is intended to offset the costs of the tax credit. Tax credit applications are approved on a first-come, first-served basis until the maximum limit is reached. Each year, the Maryland Department of Health (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. The income tax credit terminates June 30, 2026.

Licensed Practical Nurse and Registered Nurse Preceptorship Income Tax Credit

Chapter 675 established an LPN and RN preceptorship income tax credit and fund. An LPN, APRN, or RN must serve without compensation as a preceptor in a preceptorship

program approved by MBON 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 preceptor without compensation, not to exceed \$10,000 per applicant for any taxable year. 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 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.

The fund consists of specified federal COVID-19 pandemic relief funding, money appropriated in the State budget, and any other money accepted for the benefit of the fund. The LPN and RN preceptorship income tax credit terminates June 30, 2025.

Licensed Physician Preceptorship Income 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 at least 100 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 funds may be transferred or reverted to the general fund to offset the costs of the physician preceptorship tax credit. The licensed physician preceptor income tax credit terminates June 30, 2026.

Physician Assistant Preceptor Income Tax Credit

For the physician assistant preceptor tax credit, a licensed physician, physician assistant, or nurse practitioner must serve without compensation as a physician assistant 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.

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. The physician assistant preceptor income tax credit terminates June 30, 2026.

State Fiscal Effect: The bill allows the nurse practitioner preceptorship tax credit to sunset on June 30, 2026, and then reinstates the program after the sunset, thus enabling tax credits to be claimed beyond tax year 2025. The bill repeals the June 30, 2025 termination date of the LPN and RN preceptorship income tax credit, thus enabling income tax credits to be claimed beyond tax year 2024. The bill also reduces the minimum training hours to be eligible for these credits. Thus, general fund expenditures increase by \$100,000 annually beginning in fiscal 2026. Special fund revenues and expenditures increase by \$100,000 in fiscal 2026 and by \$200,000 annually thereafter, as discussed below.

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. MDH approved \$100,000 in nurse practitioner preceptorship tax credits for tax years 2022 and 2023, so lowering the minimum training hours has no effect since the tax credit is fully subscribed. Additionally, a \$15 fee for the renewal of an APRN certificate continues to be distributed to the Nurse Practitioner Preceptorship Tax Credit Fund after fiscal 2026. Thus, special fund revenues and expenditures increase by up to \$100,000 annually beginning in fiscal 2027 due to allowing the program to continue beyond June 30, 2026.

Licensed Practical Nurse and Registered Nurse 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 LPN and RN Preceptorship Tax Credit Fund. There has not been funding included in the budget for this fund since fiscal 2024. MDH only awarded \$1,000 in LPN and RN Preceptorship tax credits in tax year 2022 and did not issue any tax credits for tax year 2023. Thus, lowering the minimum training hours may increase demand for the tax credit, subject to available funding. Although discretionary, this analysis assumes funding is provided in fiscal 2026. Therefore, general fund expenditures, along with special fund revenues and expenditures, annually increase by, at most, \$100,000 for the LPN and RN Preceptorship Tax Credit Fund beginning in fiscal 2026.

Operations

The Comptroller's Office reports that repealing the termination dates of the tax credits can be implemented with existing budgeted resources, and likewise, MDH can continue issuing tax credits with existing budgeted resources.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

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

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rh/jrb

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