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FISCAL IMPACT REPORT

ORIGINAL DATE 02/02/21

SPONSOR Ortiz y Pino LAST UPDATED _____ HB _____

SHORT TITLE Health Care Preceptor Income Tax Credit SB 62

ANALYST Chilton

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY21	FY22	FY23		
(\$1,350.0)	(\$2,700.0)	(\$2,700.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD Information Technology		\$15.9		\$15.9	Nonrecurring	General Fund
	\$29.3	\$58.5	\$58.5	\$146.3	Recurring	General Fund
Total	\$29.3	\$74.4	\$58.5	\$162.2		General fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to House Bill 23, Senate Bill 61

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)
 University of New Mexico Health Sciences Center (UNMHSC)
 Human Services Department (HSD)
 Burrell College of Osteopathic Medicine (BCO)

No Response Received

Department of Health (DOH)
 Higher Education Department (HED)

SUMMARY

Synopsis of Bill

Senate Bill 62, Health Care Preceptor Income Tax Credit, would grant a tax credit to health care providers (defined as medical doctors, advanced practice nurses, physician assistants, dentists, pharmacists, psychiatrists or psychologists) who provide uncompensated preceptorships of at least four weeks duration under the (uncompensated) “employment” of a New Mexico college or university. The preceptorship, in order to be eligible for the tax credit, would be provided to a student in these professions, but not to those already having advance degrees, such as interns and residents.

The amount of the tax credit would be \$1,000 for each of up to five preceptorships in a given year; preceptors would claim that credit on forms to be provided by the taxation and revenue department.

The tax credit would be available in tax years beginning January 1, 2021.

FISCAL IMPLICATIONS

There is no appropriation in Senate Bill 62.

Any tax credit granted would diminish state tax revenues. TRD calculates the number of \$1,000 tax credits granted per year based on the number of advanced degree students at universities in New Mexico to reach the total yearly tax expenditure of \$2.7 million.

In addition, TRD notes that it “will need to make information system changes and update forms and publications. Audit procedures and regulations will need to be created to verify eligibility for the credit. These changes will be incorporated into annual tax year implementation and cost up to \$15,492 in workload costs for the Information Technology Division (ITD).

“The Revenue Processing Division (RPD) will require a Tax Examiner-A as certifications must be entered manually. In addition, as returns with the credit are submitted, they will need to be manually reviewed.

“TRD expects to be able to absorb the impact of these changes as outlined in this standalone bill with one additional full-time employee (FTE). However, if several bills with similar effective dates become law there will be a greater impact to TRD and additional FTE or contract resources may be needed to complete the changes specified by the effective date(s) of each bill.”

SIGNIFICANT ISSUES

The tax credit would be extended to preceptors – physicians, dentists and pharmacists – whose income is generally high in comparison with other New Mexicans. TRD makes note of its concern that a tax credit for this group, which has been teaching its preceptees without compensation, violates both the concepts of horizontal equity (similar taxes for people in similar situations, including incomes) and vertical equity (those at the top of the income structure can afford to and should pay more tax).

On the other hand, as also pointed out by TRD, “The other side of this credit is the broader public good in subsidizing a valuable experience for future medical providers. Professionals who participate in a preceptorship are doing so voluntarily and suspend their own practice and income. The credit could incentivize more professionals to participate in preceptorships.”

HSD makes the same point, regarding the availability of practitioners to serve Medicaid patients in particular: “Any increase in healthcare providers available to treat Medicaid beneficiaries would result in better performance of the Medicaid program and improved healthcare access for New Mexicans. This increased workforce capacity is dependent, in part, upon existing providers electing to serve as preceptors and supervise students’ training.”

UNM HSC also comments on the likelihood that extending a tax credit in this way would likely increase the number of preceptors available to its advanced students: “A preceptorship is a time-limited, education-focused experience in which a practicing clinician volunteers to give personal instruction, training, and supervision to a student in a clinical setting. Preceptorship is a critical component of clinical education. New Mexico has a limited supply of preceptors. A tax incentive may encourage more clinicians to become preceptors.”

BCO appears to support this measure as an effective use of state expenditures to augment health professions workforce in New Mexico: “the return on investment and the type of return, is of a higher calling than most other state incentive programs.”

Physicians and others serving as preceptors are in part responding to the Hippocratic oath, which includes the following words: “to teach them this art, if they shall wish to learn it, without fee or contract; and that by the set rules, lectures, and every other mode of instruction, I will impart a knowledge of the art to my own sons, and those of my teachers, and to students bound by this contract and having sworn this Oath to the law of medicine.”

RELATIONSHIP

Relates to House Bill 23, which would require any new medical school in the state to provide options for preceptorships within New Mexico and Senate Bill 61, which would create another incentive for rural practitioners, a loan repayment fund.

TECHNICAL ISSUES

The bill specifies a tax credit not to exceed one thousand dollars for “up to five preceptorships in the taxable year...” This makes it unclear whether the maximum tax credit would be one thousand or five thousand dollars.

Limitation of the tax credit to preceptors “employed by any accredited New Mexico institution of higher education” would seem to imply that only regular faculty at those institutions would receive the credit, rather than applying the credit to all the volunteer faculty around the state who provide valuable internships to students. As pointed out by UNM HSC, “This issue could be addressed by replacing the term “employed” with “credentialed as a regular faculty or volunteer faculty member” on page 1 line 19.”

TRD makes the following points:

- 1) It favors a sunset clause for the tax credit.
- 2) TRD recommends a limit of three years on the time a tax credit can be carried forward.
- 3) The definition of “New Mexico institution of higher learning” should be spelled out.
- 4) Details of the required certification by the preceptor should be specified
- 5) Rural practitioners may be able to claim both a rural practitioner tax credit and a preceptorship credit.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Some practitioners will continue to provide unpaid preceptorships, while professional schools continue to struggle to find an adequate number of volunteer preceptors to provide invaluable experiences and learning to their students.

LAC/sb