FISCAL IMPACT REPORT

BILL NUMBER: CS/House Bill 90/HHHCS

SHORT TITLE: Health Care Preceptor Income Tax Credit

SPONSOR: House Health and Human Services Committee

LAST UPDATE: 1/30/26 **ORIGINAL DATE:** 1/24/26 **ANALYST:** Francis

REVENUE*
(dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
Personal income tax		Up to ($1,650.0)	Up to ($1,650.0)	Up to ($1,650.0)	Up to ($1,650.0)	Recurring	General Fund

Parentheses indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD		$35.9			Nonrecurring	General Fund

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 89, House Bill 143, Senate Bill 10

Sources of Information

LFC Files

Agency or Agencies Providing Analysis
Health Care Authority
Taxation and Revenue Department
University of New Mexico
Department of Health

SUMMARY

Synopsis of HHHC Substitute for House Bill 90

The House Health and Human Services Committee substitute for House Bill 90 (HHHCS/HB90) is identical to the original bill with the exceptions of adding an additional category of "eligible medical resident" to the participants in preceptorships and adding "occupational therapists" and "physical therapist" to the definition of preceptor.

Synopsis of Original Bill

House Bill 90 (HB90) creates a $1,000 personal income tax credit to healthcare preceptors (mentors) employed by or who volunteer for an accredited New Mexico higher education institution for performing a preceptorship of at least four weeks in New Mexico. A preceptor is defined as a medical doctor, osteopathic physician, advanced practice nurse, nurse-midwife, physician assistant, dentist, pharmacist, psychologist, or social worker. To be eligible, a preceptorship must be at least 120 hours of uncompensated training and supervision of an eligible graduate student. "Eligible graduate student" is a New Mexico student pursuing a degree in one of the preceptor fields noted above. The credit cannot exceed tax liability (it is not refundable) but any unused amount can be carried forward indefinitely until exhausted. Taxpayers are limited to one tax credit per year.

The credit will be included in the tax expenditure budget for transparency.

The applicable date is for tax years beginning on or after January 1, 2026.

FISCAL IMPLICATIONS

According to the Taxation and Revenue Department (TRD), in fall 2025, there were approximately 1,180 graduate students who met the eligibility requirements for the preceptorship program at the University of New Mexico Health Sciences Center (UNM-HSC), 152 graduate level nurses enrolled at New Mexico State University (NMSU) in the fall 2023 (the most recent year available), and 67 graduate level students at other accredited New Mexico institutions.

In addition, data from UNM Hospital and Christus St. Vincent suggests there are approximately 0.085 residents per staffed bed in those hospitals. Using this ratio applied to all staffed beds in NM, LFC staff assumes an estimated 322 residents in New Mexico hospitals that would be eligible for the program.[1] Other entities beside hospitals offer residencies that would likely be eligible such as the Veterans' Administration, the U.S. uniformed services, and Indian Health Service. An additional 25 preceptorships are assumed for this analysis. The LFC analysis assumes the preceptors at these non-academic institutions are not compensated for the preceptorship. It is also assumed that preceptors for hospitals are affiliated with an institute of higher education.[2]

Using this data and assuming the affected medical professionals have personal income tax (PIT) liabilities greater than $1,000, the fiscal impact is determined by multiplying 1,390 eligible students and 347 eligible residents by $1,000. This may be overestimated if a preceptor mentors more than one student. TRD assumes enrollment remains unchanged throughout the forecast period.

This bill creates or expands a tax expenditure. Estimating the cost of tax expenditures is difficult. Confidentiality requirements surrounding certain taxpayer information create uncertainty, and

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[1] American Hospital Directory - Individual Hospital Statistics for New Mexico for bed count and UNMH and St.Vincent websites for data on residencies.

[2] For example, the St. Vincent residency is affiliated with University of New Mexico (source: https://unmsffmrp.wpcomstaging.com).

analysts must frequently interpret third-party data sources. The statutory criteria for a tax expenditure may be ambiguous, further complicating the initial cost estimate of the fiscal impact. Once a tax expenditure has been approved, information constraints continue to create challenges in tracking the real costs (and benefits) of tax expenditures.

TRD notes nonrecurring administrative and IT costs associated with implementing the proposed credit of $35,900.

SIGNIFICANT ISSUES

Currently, faculty at UNM-HSC and NMSU's College of Nursing are expected to mentor graduate students and are compensated for this preceptorship as part of their regular salary. The preceptorship tax credit would be a modest bonus. Preceptors without a direct appointment are not monetarily compensated (they may receive benefits like access to university resources). As noted above, preceptors serving students at Burrell College of Osteopathic Medicine are compensated and would not be eligible for the tax credit. This preceptorship proposal was introduced in 2020, 2021, 2022, and 2024.
Six other states have preceptor programs: Alabama, Colorado, Georgia, Hawaii, Maryland, and South Carolina.[3] These other states also limit the number of preceptorships that qualify.

- Alabama limits the credits to $6,000.[4] Includes preceptorships at hospitals and community health facilities.
- Colorado limits the rural and frontier health care preceptor $2,000 tax credit to three qualifying preceptorships and also limits the number of preceptors that can claim overall to 300 on a first-come, first-served basis.[5] Includes preceptorships at hospitals and community health facilities.
- Georgia allows physicians to claim credits of $500 for the first three rotations and $1,000 for subsequent rotations up to 10.[6] Appears to limit preceptorships to universities.
- Hawaii limits the credit to $5,000 and the overall claims to 1,500 per year.[7]
- Maryland offers credit of $1,000 per rotation up to $10,000.[8]
- South Carolina limits the number of preceptorships to six.[9] Does not include residencies.

From TRD:

> Preceptors are medical doctors, nurses, dentists, physician assistants, pharmacists, psychologists, or social workers. These professions are in high demand and often work well over the average 40-hour week. Becoming a preceptor requires personal expenses. Preceptorships are primarily unpaid, volunteering for hundreds of hours, incurring additional financial costs. This tax credit would help defray this cost. The Department of Health (DOH) notes the current definition of "preceptorship" may limit the number of eligible preceptors as it is defined as "…uncompensated clinical training and supervision

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[3] An Update on State Preceptor Tax Incentives: Where Do We Stand? | PAEA
[4] Preceptor Tax Incentive Program - Alabama Department of Revenue
[5] Rural and Frontier Health Care Preceptor Tax Credit | Department of Revenue - Taxation
[6] Preceptor Tax Incentive Program (PTIP)
[7] Frequently Asked Questions – Hawai'i Preceptor Tax Credit
[8] Preceptor-Tax-Credit-Program-Updated-FAQ-TY2025.pdf
[9] South Carolina Code Section 12-6-3800 (2024)

of an eligible graduate student to enable the student to obtain an eligible professional degree" on page 3, lines 19-21. This would appear to exclude preceptors working with post-graduate residents in medical residency programs. It would also exclude any preceptors who receive some compensation to be a preceptor.

PERFORMANCE IMPLICATIONS

The performance of preceptor credits is mixed. The Department of Health (DOH) highlights two evaluations of preceptor programs. From a study in Hawaii, of 871 eligible preceptors, only 310 or 36% earned the Hawaii Preceptor Tax Credit and the program over 4 years cost $2.7 million.[10] The study reported an increase in the number of preceptors in Hawaii following the credit's implementation. Another study showed that only 27% of eligible Colorado taxpayers claimed the credit and that 80% of Colorado preceptors were preceptors prior to the credit.[11]

This credit would be in addition to the rural health care practitioner tax credit (RHCPTC) currently providing eligible healthcare practitioners.

The LFC tax policy of accountability is met with the bill's requirement to include the costs and coverage in the annual Tax Expenditure Report required by 7-1-84 NMSA 1978. The bill does not have a sunset date for a review of effectiveness.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 89 provides a physician income tax credit, which would be an additional benefit.
House Bill 142 expands and modifies the RHCPTC.
House Bill 143 provides a physician income tax credit for student debt and an expansion of the RHCPTC.
Senate Bill 10 creates a Health Training Corps in the Department of Health to "recruit and place preceptors in health training sites." Preceptors under the program would be eligible for a stipend that may jeopardize the credit in this bill.

TECHNICAL ISSUES

TRD notes it would be more precise to change the language in Section 1(b) to say "The healthcare preceptor income tax credit shall be $1,000…" if the intent is to provide a credit of $1,000 that can be carried forward.

UNM reports that the term "uncompensated" may apply to clinicians who have to be preceptors as part of their regular employment and recommends the following change to Section 1, paragraph A:

> A. A taxpayer who is not a dependent of another individual, who is a **volunteer** preceptor ~~employed by or a volunteer of an~~ affiliated with an accredited New Mexico institution of higher education.

[10] PTC2024-FINAL-Act-43-SLH-2018-Program-Eval.pdf
[11] Indiana University Bowen Center

OTHER SUBSTANTIVE ISSUES

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

- **Adequacy**: Revenue should be adequate to fund needed government services.
- **Efficiency**: Tax base should be as broad as possible and avoid excess reliance on one tax.
- **Equity**: Different taxpayers should be treated fairly.
- **Simplicity**: Collection should be simple and easily understood.
- **Accountability**: Preferences should be easy to monitor and evaluate.

In addition, staff reviews whether the bill meets principles specific to tax expenditures. Those policies and how this bill addresses those issues:

Tax Expenditure Policy Principle	Met?	Comments
Vetted: The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and general policy parameters.	?	Introduced every year since 2020
Targeted: The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals.		Not clear that it will induce new healthcare providers to become preceptors or provides a benefit to existing preceptors
Clearly stated purpose	✘	
Long-term goals	✘	
Measurable targets	✘	
Transparent: The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies	✓	
Accountable: The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination of effectiveness and efficiency. The tax expenditure is set to expire unless legislative action is taken to review the tax expenditure and extend the expiration date.		No sunset date
Public analysis	✘	
Expiration date	✘	
Effective: The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth – there are indicators the recipients would not have performed the desired actions "but for" the existence of the tax expenditure.		No stated purpose.
Fulfills stated purpose	✘	
Passes "but for" test	✘	
Efficient: The tax expenditure is the most cost-effective way to achieve the desired results.	?	
Key: ✓ Met ✘ Not Met ? Unclear		

NF/ct/hg/sgs