DEPARTMENT OF AUDITS AND ACCOUNTS

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February 20, 2017

Honorable Jay Powell
Chairman, House Ways and Means
133 Capitol
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill 301 (LC 43 0555)

Dear Chairman Powell:

The bill would revise current tax exemptions for community-based faculty preceptors who offer preceptorship training. A preceptor may be a physician, advanced practice registered nurse, or a physician assistant, while preceptorship training is defined as uncompensated, community-based training of a medical student, advanced practice registered nurse student, or physician assistant student. The bill is effective July 1, 2017.

Impact on State Revenue
The University of Georgia's Carl Vinson Institute of Government (CVIOG) provided the following narrative on the revenue impact of the bill:

> Section 1 of the proposed legislation would eliminate the tax deduction that physicians may take if they serve as an uncompensated, community-based faculty physician providing medical core clerkships, physician assistant core clerkships, or nurse practitioner core clerkships. The program is administered by the Area Health Education Centers (AHEC) Program Office at Augusta University. The original tax deduction was effective for taxable years beginning on or after January 1, 2014.
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> Section 2 of the proposed legislation would create a tax credit for preceptorship training. The proposed legislation would allow a community-based faculty preceptor an annual tax credit for each preceptorship rotation, up to ten in a single calendar year. Each preceptorship rotation must be 160 hours of training of one or more medical students, physician assistant students, or advance practice registered nurse students. The legislation defines a community-based faculty preceptor as a taxpayer who is a licensed physician, advanced practice registered nurse, or physician assistant in Georgia.

The legislation authorizes the credit to be accrued on a per preceptorship rotation basis. For supervising between one and three rotations, a physician may claim a credit of $500 per rotation. For additional rotations, up to 10, a physician may claim $1,000 per rotation. For supervising between one and three rotations, an advanced practice registered nurse or a physician assistant may claim a credit of $375 per rotation. For additional rotations up to 10, an advanced practice registered nurse or physician assistant may claim a $750 credit per rotation. The bill provides that AHEC administer the program and certify preceptorship rotations. The preceptor must claim the credit on his or her tax form for the tax year in which he or she supervised the rotations and must submit supporting documentation to the State Revenue Commissioner. The legislation prohibits the tax credit from being applied to prior or succeeding years. To be eligible for the tax credit, the preceptor may not be compensated by any other training program.

AHEC provided information that it certified $883,000 in eligible tax deductions for the second half of the 2014 calendar year; $1,513,000 in 2015; and $1,969,000 in 2016. (AHEC assumed a 1.5% growth rate in eligible rotations for the tax deduction over the ensuing years.) Using the highest marginal state income tax rate of 6% and applying tax credit years to fiscal years, the estimated additional revenue from elimination of the tax deduction is presented in Table 1.

For the implications of the new tax credit in the proposed legislation, AHEC assumes that for tax year 2017, there will be 1,633 eligible medical student rotations, 1,050 eligible physician assistant student rotations, and 2,100 advance practice registered nurse student rotations. AHEC assumes a 1.5% yearly growth rate in the number of eligible rotations for each category. Based on AHEC data on the number of physicians who supervised clerkships to qualify for the existing tax deduction, a similar split was assumed in the number of rotations each specialty would supervise for the medical preceptorship, thus earning the proposed tax credit.

The estimated lost income tax revenue from creation of the tax credit is presented in Table 2, and the net effect from elimination of the tax deduction and creation of the tax credit is presented in Table 3.

The effective date of the bill is July 1, 2017, therefore, the first impact to state revenue would be in FY2018.

Table 1: State Revenue Gained from Elimination of Tax Deduction

FY2018	FY2019	FY2020	FY2021	FY2022	TOTAL
$121,711	$123,536	$125,389	$127,270	$129,179	$627,086

Table 2: State Revenue Lost from Creation of Tax Credit

FY2018	FY2019	FY2020	FY2021	FY2022	TOTAL
($2,872,139)	($2,915,221)	($2,958,950)	($3,003,334)	($3,048,384)	($14,798,029)

Table 3: Net Reduction to State Revenue

FY2018	FY2019	FY2020	FY2021	FY2022	TOTAL
($2,750,429	($2,791,685)	($2,833,560)	($2,876,064)	($2,919,205)	($14,170,942)

Impact to State Agency Costs
DOR estimated additional one-time costs of approximately $51,000 to implement the changes required by the bill. The agency estimated $40,000 to modify its IT systems and nearly $11,000 for training and form updates.

Sincerely,

Greg S. Griffin
State Auditor

Teresa A. MacCartney, Director
Office of Planning and Budget

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