



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

March 23, 2023

Honorable Chuck Hufstetler
Chairman, Senate Finance Committee
121 State Capitol
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill 308 (LC 43 2609)

Dear Chairman Hufstetler:

The bill would amend O.C.G.A. §48-7-29.22, relating to the existing income tax credit for community-based faculty preceptors. Revisions affecting state revenues include the addition of dentistry as a discipline eligible for credits, the increase of the tax credit values, and the extension of the sunset provision for the existing credit from December 31, 2023, to December 31, 2028. The effective date of this legislation is January 1, 2024.

Impact on State Revenue

Georgia State University’s Fiscal Research Center (FRC) estimated that the bill would reduce state revenue as shown in Table 1. The appendix provides details of the analysis.

Table 1. Summary of Revenue Effects of HB 308 LC 43 2609

(\$ millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
State	-	(\$5.6)	(\$6.1)	(\$6.6)	(\$7.1)

Impact on State Expenditures

The Department of Revenue would be able to implement the provisions of the bill with existing resources. Changes to the agency’s information systems would require 14 weeks, equating to approximately \$144,000 in staff time.

Respectfully,

Greg S. Griffin
State Auditor

Kelly Farr, Director
Office of Planning and Budget

GSG/KF/mt

Analysis by the Fiscal Research Center

The subject bill proposes to amend the existing income tax credit under O.C.G.A. §48-7-29.22 for community-based faculty preceptors, for rotations providing training to medical students, physician assistant students, or advanced practice registered nurse students. The credit, which is currently scheduled to expire effective at the end of calendar 2023, is nonrefundable and may not be carried forward.

Under current law, preceptors may earn credits for up to 10 uncompensated preceptorship rotations per year, in amounts of \$500 for the first three rotations in a year and \$1,000 per rotation after the third by a physician preceptor, and \$375 for the first three and \$750 after the third by a preceptor who is a physician assistant or advanced practice registered nurse.

LC 43 2609 proposes to make the following amendments to this code section as follows:

- extend the availability of the credit through December 31, 2028;
- allow licensed dentists to qualify as preceptors and earn credits for uncompensated rotations training dental students in programs approved by the Georgia Board of Dentistry; and
- set new, flat credit amounts per rotation at \$1,000 per medical or dental rotation and \$750 per physician assistant or advanced practice registered nurse rotation (still subject to the maximum of ten per preceptor per year).

Data for this estimation include credit utilization data from the Georgia Department of Revenue (DOR) and program data from the Area Health Education Centers (AHEC) program office at Augusta University. Preceptor rotations for each discipline eligible under the current law are projected forward from 2019-21 reporting from AHEC of rotations completed, assuming continuation of 2019-21 trends.

AHEC also reports the gross amount of credits related to these rotations, accounting for the stepped up credit rates. However, AHEC notes that some preceptors may be ineligible to claim the credits to which they would otherwise be entitled because they are being compensated for their training work. For this reason and potentially others, actual credits claimed on tax returns falls short of AHEC certified amounts, running between 78 and 91 percent over the three years for which data are available, averaging about 85 percent. It is thus assumed going forward that 85 percent of projected certified rotations will earn a credit. Net credit-earning rotations are multiplied by the proposed new credit amounts to project total credits generated and claimed on tax returns for TY's 2024-28.

Finally, on average over the 2019-21 tax years, approximately 93 percent of credits claimed on tax returns were able to be used to offset tax liability, the balance going unused due to the nonrefundability of the credit and the disallowance of carryforwards. This effective utilization rate for generated credits is also assumed to hold going forward.

To account for the addition of dentistry rotations to the credit, we rely on estimates from AHEC of the numbers of students and preceptor rotations in qualified dentistry programs for 2023-26, averaging 96 students and 192 preceptor rotations per year, with a flat trend. AHEC also notes that there is currently no compensation for dental preceptors that would disqualify them from claiming credits. We thus assume 192 rotations and \$192,000 of credits for dental preceptors for TY's 2024-28. Again, actual utilization of these credits to offset current tax liability is assumed to be 93 percent.

Table 2 below details the projections of credit-eligible preceptor rotations, credits generated, and credits utilized over TY's 2024-28. Fiscal year (FY) revenue effects in table 1 assume that utilized credits impact collections at the time of filing of returns, generally in the fiscal year starting July 1 of the given tax year.

Table 2. Projected AHEC-Certified Rotations and Credits, and Credits Claimed and Utilized on Returns

(\$ millions)	TY 2024	TY 2025	TY 2026	TY 2027	TY 2028
Certified Rotations:					
Medical	5,131	5,515	5,898	6,282	6,665
PA	889	1,007	1,124	1,242	1,359
APRN	1,633	1,871	2,108	2,346	2,583
Dental	192	192	192	192	192
Total AHEC Rotations	7,845	8,584	9,322	10,061	10,799
Gross AHEC Credits:					
Medical	\$5.1	\$5.5	\$5.9	\$6.3	\$6.7
PA	0.7	0.8	0.8	0.9	1.0
APRN	1.2	1.4	1.6	1.8	1.9
Dental	0.2	0.2	0.2	0.2	0.2
Total AHEC Credits	\$7.0	\$7.7	\$8.3	\$9.0	\$9.6
Credits Claimed on Returns	\$6.0	\$6.5	\$7.1	\$7.6	\$8.2
Credits Utilized to Offset Tax	\$5.6	\$6.1	\$6.6	\$7.1	\$7.6