



## DEPARTMENT OF AUDITS AND ACCOUNTS

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**Greg S. Griffin**  
STATE AUDITOR  
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February 26, 2019

Honorable Brett Harrell  
Chairman, House Ways and Means  
133 Capitol  
Atlanta, Georgia 30334

SUBJECT: Fiscal Note  
House Bill 287 (LC 43 1215)

Dear Chairman Harrell:

The bill would replace the existing tax deduction for community-based faculty preceptors with a tax credit. Preceptorship training is defined as the uncompensated community-based training of medical students, advanced practice registered nurse (APRN) students, or physician assistant (PA) students. For physicians, the tax credit would be \$500 for each of the first three rotations and \$1,000 for the fourth through tenth rotations in a calendar year. For APRNs and PAs, the tax credit would be \$375 for the first three rotations and \$750 for the fourth through tenth. The tax credit cannot exceed a taxpayer's tax liability and cannot be applied to prior or future tax years. The program would continue to be administered by the Area Health Education Centers Program Office at Augusta University.

### Impact on State Revenue

The University of Georgia's Carl Vinson Institute of Government (CVIOG) estimated that the bill would reduce state revenue by \$2.2 million in FY 2021, the first full year of its effect. The loss would increase slightly in subsequent years. Details of the analysis are included in the appendix.

**Table 1. State Revenue Impact, LC 43 1215**

	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>	<u>FY2024</u>
Elimination of Deduction	\$66,080	\$134,142	\$136,154	\$138,197	\$140,270
Creation of Credit	(\$1,124,480)	(\$2,282,694)	(\$2,316,935)	(\$2,351,689)	(\$2,386,964)
Net Revenue Impact	(\$1,058,400)	(\$2,148,552)	(\$2,180,780)	(\$2,213,492)	(\$2,246,694)

### Impact on State Expenditures

The Department of Revenue estimated that the bill would result in one-time costs of approximately \$40,000 for information system changes. Augusta University estimated that the bill would not result in any increased costs.

Sincerely,

/s/ Greg S. Griffin

Greg S. Griffin  
State Auditor

/s/ Kelly Farr

Kelly Farr, Director  
Office of Planning and Budget

GSG/KF/mt

### Analysis by the Carl Vinson Institute of Government

AHEC provided information that it certified \$1,513,000 in eligible tax deductions for the 2015 calendar year; \$1,998,000 in 2016; and \$2,231,000 in 2017. (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 5.75% 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 provided data on the number of preceptors and the number of preceptorship rotations they performed each year from 2015 to 2018. The number of preceptors conducting rotations more than doubled from 440 in 2016 to 988 in 2017. This was likely due to the initial introduction of the legislation, converting the tax deduction to a tax credit and lowering the threshold for the number of qualifying rotations from three to one, as well a significant push by medical institutions and AHEC to educate preceptors on the available tax benefits. However, when the legislation did not pass in 2017 or 2018, the number of preceptors fell by 19.4% to 796 in 2018.

With the reintroduction of the tax credit legislation, it is reasonable to assume that the number of preceptors will reach 988, its 2017 level, in the first year, but then grow at a more modest rate — 1.5% — thereafter. 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, 2019, therefore, the first impact to state revenue would be in FY2020. Preceptors will be able to continue taking the clerkship deduction through June 30, 2019, then the tax credit thereafter. The bill expires on December 31, 2023.

Table 1: State Revenue Impact from Elimination of Tax Deduction

FY2020	FY2021	FY2022	FY2023	FY2024	TOTAL
\$66,080	\$134,142	\$136,154	\$138,197	\$140,270	\$614,843

Table 2: State Revenue Impact from Creation of Tax Credit

FY2020	FY2021	FY2022	FY2023	FY2024	TOTAL
-\$1,124,480	-\$2,282,694	-\$2,316,935	-\$2,351,689	-\$2,386,964	-\$10,462,761

Table 3: Net State Revenue Impact

FY2020	FY2021	FY2022	FY2023	FY2024	TOTAL
-\$1,058,400	-\$2,148,552	-\$2,180,780	-\$2,213,492	-\$2,246,694	-\$9,847,918