

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT  
LEGISLATIVE RESEARCH COMMISSION  
2016 REGULAR SESSION**

**MEASURE**

2016 BR NUMBER 1675

**HOUSE** BILL NUMBER 406

RESOLUTION NUMBER \_\_\_\_\_

AMENDMENT NUMBER \_\_\_\_\_

**SUBJECT/TITLE** An ACT relating to the physician preceptor tax incentive program.

**SPONSOR** Representative Watkins

**NOTE SUMMARY**

FISCAL ANALYSIS:  IMPACT     NO IMPACT     INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT:  STATE     LOCAL     FEDERAL

BUDGET UNIT(S) IMPACT: \_\_\_\_\_

FUND(S) IMPACT:  GENERAL     ROAD     FEDERAL     RESTRICTED AGENCY \_\_\_\_\_     OTHER

**FISCAL SUMMARY**

FISCAL ESTIMATES	2015-2016	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
<b>REVENUES</b>	(\$50,000)	(\$700,000)	(\$850,000)	See explanation below
<b>EXPENDITURES</b>				
<b>NET EFFECT</b>	(\$50,000)	(\$700,000)	(\$850,000)	See explanation below

( ) indicates a decrease/negative

**MEASURE’S PURPOSE:** If enacted, the bill would create a nonrefundable income tax credit equal to \$500 for each core clinical rotation supervised by a voluntary medical preceptor, if the preceptor supervised at least 3 clinical rotations, but no more than 10 clinical rotations.

**PROVISIONS/MECHANICS:** Creates a new section of KRS 141 to create the voluntary preceptor tax credit for taxable years beginning on or after January 1, 2016, but before January 1, 2020. The credit will be claimed by a Kentucky-licensed physician, in a rural or urban underserved area in the Commonwealth, who voluntarily teaches and supervises the applicable clinical core rotations. Each clinical core rotation must total at least 160 hours of supervised training and be completed by a student at a Kentucky AHEC-qualified site. AHEC is the area health education center system, a collaborative effort among the University of Kentucky, University of Louisville, and the regional centers associated with each university. The student must be participating in a teaching program, including an accredited: (1) medical or osteopathic school; (2) Physician assistant program; or (3) Nurse practitioner program.

**FISCAL EXPLANATION:** The Kentucky AHEC system has provided information related to the current number of preceptors and clinical rotations supervised. These physicians would be

able to immediately claim the new tax credit if the number of clinical rotations were maintained. Today, there are approximately 225 qualifying preceptors supervising approximately 930 clinical rotations, creating a negative fiscal impact of \$465,000. Additionally, there are approximately 700 preceptors that are not supervising at least 3 clinical rotations today. It is anticipated that within two or three years, a 50% increase in the number of qualifying clinical rotations would occur, creating an impact of \$700,000. It is difficult to estimate the number of nurse practitioner students that would participate. However based on a comparison of class sizes, it is estimated that within two or three years an additional negative impact of approximately \$300,000 would occur related to nurse practitioners.

The new tax credit will be nonrefundable and allowed against the tax imposed on individual income. Because of the impact to estimated tax payments made by individuals in June 2016, a negative impact will occur in the current fiscal year. Because of the ongoing impact of estimated payments made by individuals and the public becoming more aware of this tax credit, the estimated impact begins to increase in fiscal years 2016-2017 and 2017-2018. The maximum impact at full implementation is achieved during fiscal year 2018-2019, before diminishing as the tax credit sunsets. Below is a chart containing the entire range of fiscal impacts for this four-year tax credit.

Fiscal Year	Negative Impact to the General Fund
2015-2016	(\$50,000)
2016-2017	(\$700,000)
2017-2018	(\$850,000)
2018-2019	(\$1,000,000)
2019-2020	(\$750,000)
2020-2021	(\$50,000)

**DATA SOURCE(S):** LRC staff, Kentucky AHEC

**PREPARER:** Jennifer Hays **NOTE NUMBER:** 73 **REVIEW:** JRS **DATE:** 2/11/2016