**South Carolina General Assembly**

125th Session, 2023-2024

**H. 5225**

**STATUS INFORMATION**

General Bill

Sponsors: Reps. Cobb-Hunter and King

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Introduced in the House on March 6, 2024

Introduced in the Senate on April 2, 2024

Last Amended on March 28, 2024

Currently residing in the House

Summary: Preceptor

**HISTORY OF LEGISLATIVE ACTIONS**

 Date Body Action Description with journal page number

 3/6/2024 House Introduced and read first time (House Journal‑page 20)

 3/6/2024 House Referred to Committee on **Ways and Means** (House Journal‑page 20)

 3/14/2024 Scrivener's error corrected

 3/27/2024 House Committee report: Favorable with amendment **Ways and Means** (House Journal‑page 7)

 3/28/2024 House Member(s) request name added as sponsor: King

 3/28/2024 House Amended (House Journal‑page 48)

 3/28/2024 House Read second time (House Journal‑page 48)

 3/28/2024 House Roll call Yeas-94 Nays-12 (House Journal‑page 51)

 3/28/2024 House Unanimous consent for third reading on next legislative day (House Journal‑page 52)

 3/29/2024 House Read third time and sent to Senate (House Journal‑page 5)

 4/2/2024 Senate Introduced and read first time (Senate Journal‑page 24)

 4/2/2024 Senate Referred to Committee on **Finance** (Senate Journal‑page 24)

 4/2/2024 Scrivener's error corrected

View the latest  [legislative information](https://www.scstatehouse.gov/billsearch.php?billnumbers=5225&session=125&summary=B)  at the website

**VERSIONS OF THIS BILL**

[03/06/2024](https://www.scstatehouse.gov/sess125_2023-2024/prever/5225_20240306.docx)

[03/14/2024](https://www.scstatehouse.gov/sess125_2023-2024/prever/5225_20240314.docx)

[03/27/2024](https://www.scstatehouse.gov/sess125_2023-2024/prever/5225_20240327.docx)

[03/28/2024](https://www.scstatehouse.gov/sess125_2023-2024/prever/5225_20240328.docx)

[04/02/2024](https://www.scstatehouse.gov/sess125_2023-2024/prever/5225_20240402.docx)

Indicates Matter Stricken

Indicates New Matter

Amended

March 28, 2024

H. 5225

Introduced by Reps. Cobb-Hunter and King

S. Printed 03/28/24--H. [SEC 4/2/2024 3:12 PM]

Read the first time March 06, 2024

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statement of estimated fiscal impact

Explanation of Fiscal Impact

State Expenditure

The bill as amended revises the current clinical preceptor credit administered by DOR. Currently, DOR is required to report by March thirty-first of each year to the Senate Finance Committee, the House Ways and Means Committee, and the Governor the number of taxpayers claiming the deduction, the total amount of deductions allowed, and the number of hours the recipient taxpayers served as preceptors by type of preceptor. As this is an extension of the existing credit, the bill will not impact expenditures for DOR.

State Revenue

The bill as amended changes the current individual income tax credit for each clinical rotation for which a physician, APRN, or PA serves as the preceptor. The preceptor must provide a minimum of two required clinical rotations within a calendar year. The preceptor may claim a tax credit for up to four rotations and a tax deduction for up to six additional rotations, for a total of ten rotations. Each clinical rotation must include a minimum of one hundred sixty hours of instruction, and the preceptor must not otherwise be compensated for providing the instruction. The tax credit currently applies to tax years 2020 through 2025 and is phased-in in equal and cumulative installments over five years.

A taxpayer may earn up to four credits for qualifying rotations. The total amount of credits claimed in a year may not exceed 50 percent of the taxpayer’s liability after all other credits. Additionally, 50 percent of the credit may be claimed in the year earned, and the remaining amount may be claimed in the subsequent tax year. Any unused credit may be carried forward for a maximum of ten tax years.

After earning the maximum credits for four rotations, the taxpayer may claim a deduction for each additional rotation, up to a maximum of six additional rotations, in an amount equal to the credit amount that the rotation would have earned if the taxpayer had not already claimed the maximum amount of credits.

For physicians, the amount of the credit varies currently depending upon the percentage of patients seen by the physician’s practice who are Medicaid insured, Medicare insured, or self-pay. The credit is disallowed if less than 30 percent of the practice’s patients are Medicaid, Medicare, or self-pay. The credit is $750 if the physician’s practice consists of at least 30 percent Medicaid, Medicare, or self-pay and increases to $1,000 if the practice consists of at least 50 percent Medicaid, Medicare, or self-pay patients.

For APRNs and PAs currently, the credit is disallowed if less than 30 percent of the practice’s patients are Medicaid, Medicare, or self-pay. The credit is $500 if the practice consists of at least 30 percent Medicaid, Medicare, or self-pay and increases to $750 if the practice consists of at least 50 percent Medicaid, Medicare, or self-pay patients.

The table below provides the history of the current tax credits and deductions claimed as reported by DOR and an estimate of the revenue impact based on estimates of the applicable tax rates for these taxpayers.

Current Impact of Preceptor Tax Credit (and Deduction)

Pursuant to Section 12-6-3800

Returns Rotations Credit Used Deduction Used\* Estimated Annual Impact\*\*

FY 2020-21 100 593 $29,550 $15,275 $31,000

FY 2021-22 124 802 $78,405 $40,150 $81,000

FY 2022-23 151 752 $156,802 $77,225 $162,000

\*Deduction amount is before the applicable marginal tax rate. The estimated total impact accounts for the marginal tax rates for taxpayers claiming this credit adjusted for tax rate changes by year.

\*\*Total impact is the amount used in the year. Carryforwards would impact the following year. Amounts are rounded.

The bill changes the credit such that the amount is $1,000 per rotation up to a maximum of $4,000 for physicians, APRNs, and PAs who are a Medicaid participating provider and have a minimum of at least one hundred Medicaid and Medicare patients combined or if the practice is a free clinic. The bill also adds specialty care including dermatology, hematology, neurology, and oncology to the clinical settings that qualify for the credit.

We anticipate that this may increase the number of qualifying preceptors. Under the current requirements, the preceptor’s practice must be at least 30 percent Medicaid, Medicare, or self-pay in order to qualify for the credit. With an average number of patients per physician of 2,500, this would equate to approximately 750 Medicaid, Medicare, or self-pay patients.We estimate that approximately 72 percent of SC practices meet these current requirements.The bill specifies that the provider must be a Medicaid participating provider and have at least 100 Medicaid and Medicare patients combined or be a free clinic. We estimate that approximately 88.8 percent of SC practices meet these revised requirements.Based on these percentages, the changes would increase qualifying preceptors by approximately 23.3 percent.

In order to estimate the impact, RFA contacted the Coalition for Increasing Access to Primary Care (CIAPC), which includes members from Clemson University, Francis Marion University, Medical University of South Carolina (MUSC), and University of South Carolina (USC), and received data from these institutions. Revenue and Fiscal Affairs also received data from the S.C. Independent College and Universities. Using data provided previously and updates as available, we have developed the estimates below of the potential impact of extending this credit by fiscal year. These estimates factor in changes to the eligibility requirements. Under current law, no new credits would be earned after 2025. The estimates below show the current expected carryforwards for tax credits earned in 2025 (FY 2025-26) that would be claimed in 2026 (FY 2026-27) based on the requirements that 50 percent is claimed in the year earned and 50 percent in the following year and using the current tax return information to estimate new credits and carryforwards.

Estimated Impact of Preceptor Tax Credit (and Deduction) Changes

FY 2025-26 Returns Credits Deductions\* Estimated Impact\*\*

Current 234 $303,739 $150,000 $313,000

Proposed 289 $577,200 $249,625 $592,000

Change 55 $273,461 $99,625 $279,000

FY 2026-27

Current 234 $227,804 $112,500 $235,000

Proposed 326 $651,200 $281,628 $668,000

Change 92 $423,396 $169,128 $433,000

FY 2027-28

Current 0 $0 $0 $0

Proposed 364 $727,667 $314,698 $747,000

Change 364 $727,667 $314,698 $747,000

\*Deduction amount is before the applicable marginal tax rate. The estimated impact accounts for the marginal tax rates for taxpayers claiming this credit adjusted for tax rate changes by year.

\*\*Estimated impact is the amount used in the year. Carryforwards would impact the following year. Amounts are rounded.

This bill would decrease General Fund individual income tax revenue by an additional $279,000 in FY 2025-26, $433,000 in FY 2026-27, and $747,000 in FY 2027-28 and thereafter including any growth. Under the bill, new credits would be earned through 2029 (FY 2029-30), after which time only carryforward credits would remain in 2030 (FY 2030-31). The impact will decrease beginning in FY 2030-31 as no new tax credits will be earned after 2029.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

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A bill

TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY ADDING SECTION 12‑6‑1180 SO AS TO ALLOW AN INCOME TAX DEDUCTION FOR EACH CLINICAL ROTATION SERVED BY A PHYSICIAN, ADVANCED PRACTICE NURSE, OR PHYSICIAN ASSISTANT AS A PRECEPTOR FOR CERTAIN PROGRAMS.

 Amend Title To Conform

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Section 12-6-3800(A), (B), and (C) of the S.C. Code is amended to read:

 (A) For the purposes of this section:

 (1) “Independent institution of higher learning” has the same meaning as provided in Section 59-113-50.

 (2) “Medical school-required clinical rotation”, “physician assistant program-required clinical rotation”, or “advanced practice nursing program-required clinical rotation” means a clinical rotation for a public teaching institution or independent institution of higher learning that:

 (a) is established for a student who is enrolled in a South Carolina public teaching institution or an independent institution of higher learning, including:

 (i) medical school;

 (ii) a physician assistant program; and

 (iii) an advanced practice nursing program; and

 (b) includes a minimum of one hundred sixty hours of instruction in one of the following clinical settings:

 (i) family medicine;

 (ii) internal medicine;

 (iii) pediatrics;

 (iv) obstetrics and gynecology;

 (v) emergency medicine;

 (vi) psychiatry; or

 (vii) general surgery under the guidance of a physician, advanced practice registered nurse, or physician assistant; or

 (viii) specialty care including, but not limited to, dermatology, hematology, neurology, and oncology.

 (3) “Preceptor” means a physician, advanced practice nurse practitioner, or physician assistant who provides supervision and instruction during student clinical training experiences, is otherwise not compensated for doing so, and provides a minimum of two required clinical rotations within a calendar year.

 (B)(1) There is allowed an income tax credit for each clinical rotation a physician serves as the preceptor for a medical school-required clinical rotation, advanced practice nursing program-required clinical rotation, and physician assistant program-required clinical rotation. (2) If at least fifty percent of If the physician's practice consists of a combined total ofincludes Medicaid insured, or Medicare insured, and self-pay patients, then the credit is equal to one thousand dollars for each rotation served, not to exceed four thousand dollars a year. The provider must be a Medicaid-participating provider and have a minimum of at least one hundred Medicaid and Medicare patients combined or be a free clinic.

 (3) If at least thirty percent of the physician's practice consists of a combined total of Medicaid insured, Medicare insured, and self-pay patients, then the credit is equal to seven hundred fifty dollars for each rotation served, not to exceed three thousand dollars a year.

 (4) If less than thirty percent of the physician's practice consists of a combined total of Medicaid insured, Medicare insured, and self-pay patients, then the credit is disallowed.

 (5) The credits allowed by this subsection are not cumulative and may not be combined.

 (C)(1) There is allowed an income tax credit for each clinical rotation an advanced practice registered nurse or physician assistant serves as the preceptor for an advanced practice nursing or physician assistant-required clinical rotation. The credit is equal to one thousand dollars for each rotation served, not to exceed four thousand dollars a year. The provider must be a Medicaid-participating provider and have a minimum of at least one hundred Medicaid and Medicare patients combined or be a free clinic.

 (2) If at least fifty percent of the advanced practice registered nurse's or physician assistant's practice consists of a combined total of Medicaid insured, Medicare insured, and self-pay patients, then the credit is equal to seven hundred fifty dollars for each rotation served, not to exceed three thousand dollars a year.

 (3) If at least thirty percent of the advanced practice registered nurse's or physician assistant's practice consists of a combined total of Medicaid insured, Medicare insured, and self-pay patients, then the credit is equal to five hundred dollars for each rotation served, not to exceed two thousand dollars a year.

 (4) If less than thirty percent of the advance practice registered nurse's or physician assistant's practice consists of a combined total of Medicaid insured, Medicare insured, and self-pay patients, then the credit is disallowed.

 (5) The credits allowed by this subsection are not cumulative and may not be combined.

SECTION 2. Section 4 of Act 45 of 2019 is amended to read:

Section 4. This act takes effect upon approval by the Governor and shall apply to tax years 2020 through 20252029. Section 12-6-3800 and Section 12-6-1140( )12-6-1140(14) are repealed January 1, 20262030.

SECTION 3. This act takes effect upon approval by the Governor and applies to tax years beginning after 2024.

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