

# REPORT OF THE SALES AND INCOME TAX SUBCOMMITTEE

(Clemmons, Hosey, Stavrinakis, Whitmire & Moss - Staff Contact: Michael Jackson)

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## SENATE BILL 314

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S. 314 -- Senator Alexander: A BILL TO AMEND ARTICLE 25, CHAPTER 6, TITLE 12 OF THE 1976 CODE, RELATING TO SOUTH CAROLINA INCOME TAX CREDITS, BY ADDING SECTION 12-6-3800, TO ALLOW AN INCOME TAX CREDIT FOR EACH CLINICAL ROTATION SERVED BY A PHYSICIAN, ADVANCED PRACTICE NURSE, OR PHYSICIAN ASSISTANT AS A PRECEPTOR FOR CERTAIN PROGRAMS.

***Received by Ways and Means:***

February 14, 2019

***Summary of Bill:***

The bill creates an individual income tax credit for each clinical rotation for which a physician serves as the preceptor for a medical school required clinical rotation. It also creates a credit for each clinical rotation an advanced practice nurse or physician assistant serves as the advanced practice nurse or physician assistant preceptor for a required clinical rotation. The bill applies to clinical rotations for public teaching institutions and independent institutions of higher learning. The tax credit applies to tax years 2020 to 2025. Taxpayers are allowed a credit for a maximum of four rotations and may take a deduction equal to the amount of the credit for any additional six rotations.

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

***Estimated Revenue Impact:***

The bill is not expected to impact expenditures for the Department of Revenue (DOR), as the agency has processes in place to implement the new tax credit and complete the required reports. The bill is expected to reduce General Fund individual income tax revenue by up to \$1,134,000 in FY 2020-21 and \$2,218,000 in FY 2021-22 through FY 2025-26 when the tax credit and deduction

"THE BELOW CONSTITUTED SUMMARY IS PREPARED BY THE STAFF OF THE SOUTH CAROLINA HOUSE OF REPRESENTATIVES AND IS NOT THE EXPRESSION OF THE LEGISLATION'S SPONSOR(S) OR THE HOUSE OF REPRESENTATIVES. IT IS STRICTLY FOR THE INTERNAL USE AND BENEFIT OF MEMBERS OF THE HOUSE OF REPRESENTATIVES AND IS NOT TO BE CONSTRUED BY A COURT OF LAW AS AN EXPRESSION OF LEGISLATIVE INTENT".

are repealed. The General Fund reduction decreases to \$1,084,000 in FY 2026-27 for the remaining fifty percent of credits earned in the tax year 2025. The impact by fiscal year may shift to future years, as the credits may be carried forward for up to ten years, and taxpayers may not reduce their liability by more than 50 percent.

***Subcommittee Recommendation:*** Favorable

***Full Committee Recommendation:*** Pending

***Other Notes/Comments:***



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
**(803)734-0640 • RFA.SC.GOV/IMPACTS**

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<b>Bill Number:</b>	S. 0314	Introduced on January 8, 2019
<b>Author:</b>	Alexander	
<b>Subject:</b>	Preceptor Tax Credit	
<b>Requestor:</b>	Senate Finance	
<b>RFA Analyst(s):</b>	Jolliff	
<b>Impact Date:</b>	January 22, 2019	

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### **Fiscal Impact Summary**

The bill is not expected to impact expenditures for the Department of Revenue (DOR), as the agency has processes in place to implement the new tax credit and complete the required reports. The bill is expected to reduce General Fund individual income tax revenue by up to \$1,134,000 in FY 2020-21 and \$2,218,000 in FY 2021-22 through FY 2025-26, when the tax credit and deduction are repealed. The General Fund reduction decreases to \$1,084,000 in FY 2026-27 for the remaining fifty percent of credits earned in tax year 2025. The impact by fiscal year may shift to future years, as the credits may be carried forward for up to ten years, and taxpayers may not reduce their liability by more than 50 percent.

### **Explanation of Fiscal Impact**

#### **Introduced on January 8, 2019**

#### **State Expenditure**

The bill creates an individual income tax credit for each clinical rotation for which a physician serves as the preceptor for a medical school required clinical rotation. It also creates a credit for each clinical rotation an advanced practice nurse or physician assistant serves as the advanced practice nurse or physician assistant preceptor for a required clinical rotation. The bill applies to clinical rotations for public teaching institutions and independent institutions of higher learning. The tax credit applies to tax years 2020 to 2025. Taxpayers are allowed a credit for a maximum of four rotations and may take a deduction equal to the amount of the credit for any additional six rotations. The bill also requires DOR 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 credit, the total amount of credits allowed, and the number of hours the recipient taxpayers served as preceptors. The report must provide the information disaggregated by type of preceptor.

DOR will create a specific tax credit form to capture the detail required for the report to the Senate Finance Committee, the House Ways and Means Committee, and the Governor. The first report would be available following the first tax year for which the credits are claimed. The report on tax year 2020 filings, which would be completed by the filing extension date in October 2021, would be reported by March 31, 2022. The department has procedures and systems in place to create the new forms and track the required information. As such, the bill is not expected to impact expenditures for the General Fund, Federal Funds, or Other Funds.

## **State Revenue**

The bill creates an individual income tax credit for each clinical rotation for which a physician, advanced practice nurse, or physician assistant serves as the preceptor for a required clinical rotation. 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 applies to tax years 2020 to 2025.

A taxpayer may earn up to four credits for qualifying rotations. The total amount of credits claimed in a year may not exceed fifty percent of the taxpayer's liability after all other credits. Additionally, fifty percent of the credit may be claimed in the year earned and the remaining amount 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, 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 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 thirty 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 thirty percent Medicaid, Medicare, or self-pay and increases to \$1,000 if the practice consists of at least fifty percent Medicaid, Medicare, or self-pay patients.

For advanced practice nurses and physician assistants, the credit is disallowed if less than thirty percent of the practice's patients are Medicaid, Medicare, or self-pay. The credit is \$500 if the practice consists of at least thirty percent Medicaid, Medicare, or self-pay and increases to \$750 if the practice consists of at least fifty percent Medicaid, Medicare, or self-pay patients.

The clinical rotations must be for the students enrolled in a South Carolina public teaching institution or independent institution of higher learning. The Coalition for Increasing Access to Primary Care (CIAPC) includes members from Clemson University, Francis Marion University, Medical University of South Carolina (MUSC), and University of South Carolina (USC). CIAPC provided us with data regarding the number of preceptors and rotations for all public university programs in the state that are expected to qualify for these tax credits in 2020. South Carolina Independent Colleges and Universities (SCICU) provided data in 2017 on the number of qualifying clinical rotations expected at independent nonprofit colleges and universities as of 2020. SCICU is working to obtain updated data, and we will update our analysis if needed. However, the number of preceptors for independent nonprofit colleges is not expected to change significantly.

**ESTIMATED CLINICAL PRECEPTORS FOR 2020**

	Physician (MD or DO)	Advanced Practice Nurse (NP)	Physician Assistant (PA)
USC School of Medicine Greenville	61	0	0
Clemson College of Nursing	69	123	0
Francis Marion College of Nursing	64	62	10
Francis Marion (PA)	47	10	13
MUSC College of Medicine	44	0	0
MUSC College of Nursing	26	43	3
MUSC College of Health Professions (PA)	63	2	40
USC School of Medicine Columbia	156	0	0
USC College of Nursing	123	232	7
USC PA	57	3	24
Anderson University	5	2	0
North Greenville University	2	0	2
Charleston Southern University	3	0	2
Presbyterian College	2	0	2

In order to estimate the distribution of Medicaid insured, Medicare insured, and self-pay patients, we used a national study by the Kaiser Family Foundation, *Primary Care Physicians Accepting Medicare: A Snapshot* from October 30, 2015. This study surveyed 1,257 non-pediatric primary care physicians accepting new and current Medicare patients. The survey found:

- 25 percent of practices consist of less than 25 percent Medicare patients
- 41 percent consist of 25 to 49 percent Medicare patients
- 32 percent are 50 percent or more Medicare patients
- 2 percent are unknown due to nonresponse

Based upon these figures and distributing the non-reporting 2 percent across the categories, we would estimate that national practices are distributed as follows:

- 32 percent of practices consist of less than 30 percent Medicare
- 35 percent would be 30 to 49 percent Medicare patients
- 33 percent are 50 percent or more Medicare patients

Further, the Kaiser Family Foundation reports in *Health Insurance Coverage of the Total Population, 2015*, Medicaid, Medicare, and uninsured patients compose 43 percent of the population nationally, whereas they compose 46 percent of South Carolina's population, a 6.97 percent increase. As such, we have further adjusted up the distribution of practices to reflect the higher concentration of Medicaid, Medicare, and uninsured patients in South Carolina compared to the nation.

With this adjustment, we would estimate South Carolina practices are distributed as follows:

- 28 percent of practices would fall under 30 percent Medicare
- 37 percent would be 30 to 49 percent Medicare
- 35 percent are 50 percent or more Medicare patients

While these figures are specific to Medicare, a study by the Centers for Disease Control and Prevention, *Acceptance of New Patients with Public and Private Insurance by Office-based Physicians: United States, 2013*, found more physicians accept new Medicare patients than Medicaid, by 83.7 percent accepting new Medicare patients compared to 68.9 percent accepting new Medicaid patients. Since the tax credit applies if the practice is any combination of Medicare, Medicaid, or self-pay, we anticipate that the national Medicare distribution adjusted to account for South Carolina's patient differences will provide a sufficient proxy for all of these categories as a whole.

We then applied this distribution to the preceptors expected to provide clinical rotations. Preceptors must provide at least two rotations and are allowed a maximum of ten rotations under this bill. Our analysis is based upon actual rotations per preceptor based upon expectations by CIAPC. We then applied an average number of rotations based upon the data reported by CIAPC to the expected preceptors for independent colleges and universities to determine the total expected rotations. The bill does not specify a setting for rotations, and we assume that rotations provided in a hospital or clinic will qualify. The amount of the credit or deduction for rotations provided in a hospital or clinic would be based upon the practitioner's determination of his practice's insurance composition and any direction provided by DOR in administering the tax credit.

The credits must be claimed 50 percent in the year earned and 50 percent in the following year. We assume that these taxpayers have higher income tax liabilities than average and will have sufficient taxable income to utilize all allowable credits. However, taxpayers may not reduce their tax liability by more than 50 percent in a given year. To the extent that a taxpayer's liability is insufficient to claim the total allowable credits, the impact in a tax year may shift since credits may be carried forward to the following tax year for up to ten years.

Based upon the expected preceptors and rotations, the bill is expected to reduce General Fund income tax revenue by up to \$1,134,000 in FY 2020-21, \$2,218,000 in FY 2021-22 through FY 2025-26 when the tax credit and deduction are repealed. The General Fund reduction decreases to \$1,084,000 in FY 2026-27 for the remaining fifty percent of credits earned in tax year 2025. These estimates, as shown in the attached table, would change should colleges and universities add additional qualifying programs not included in the current projections.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**TAX YEAR 2020 ESTIMATES**

Percentage of Patients on Medicaid, Medicare, or Self-pay		0%-29%	30%-49%	50%-100%	Total
Estimated Percentage of Practices in SC		28%	37%	35%	100%
Physician	Credit Amount	\$0	\$750	\$1,000	n/a
	Number of Preceptors	202	267	253	722
	Rotations from 2 to 4 per Preceptor	632	835	790	2,258
	Total Credits	\$0	\$626,595	\$790,300	\$1,416,895
	Additional Rotations	334	441	417	1,192
	Tax Deduction	\$0	\$330,780	\$417,200	\$747,980
	Liability Reduction at 5.4% Tax Rate	\$0	\$17,862	\$22,529	\$40,391
Advanced Practice Nurse	Credit Amount	\$0	\$500	\$750	n/a
	Number of Preceptors	134	176	167	477
	Rotations from 2 to 4 per Preceptor	388	512	485	1,385
	Total Credits	\$0	\$256,225	\$363,563	\$619,788
	Additional Rotations	94	124	118	336
	Tax Deduction	\$0	\$62,160	\$88,200	\$150,360
	Liability Reduction at 5.4% Tax Rate	\$0	\$3,357	\$4,763	\$8,119
Physician Assistant	Credit Amount	\$0	\$500	\$750	n/a
	Number of Preceptors	29	38	36	103
	Rotations from 2 to 4 per Preceptor	83	109	103	295
	Total Credits	\$0	\$54,575	\$77,438	\$132,013
	Additional Rotations	14	19	18	51
	Tax Deduction	\$0	\$9,435	\$13,388	\$22,823
	Liability Reduction at 5.4% Tax Rate	\$0	\$509	\$723	\$1,232
Total Credits	Total Credits Earned	\$0	\$937,395	\$1,231,300	\$2,168,695
Total Deductions	Total Liability Reduction from Deductions	\$0	\$21,728	\$28,015	\$49,743
Total Tax Reduction Earned in TY 2020		\$0	\$959,123	\$1,259,315	\$2,218,438
<b>Total Credits and Deductions Allowed in TY 2020 (FY 2020-21)</b>		<b>\$0</b>	<b>\$490,426</b>	<b>\$643,665</b>	<b>\$1,134,090</b>



Frank A. Rainwater, Executive Director

**South Carolina General Assembly**  
123rd Session, 2019-2020

**S. 314**

**STATUS INFORMATION**

General Bill

Sponsors: Senator Alexander

Document Path: I:\s-res\tca\007inco.kmm.tca.docx

Introduced in the Senate on January 8, 2019

Introduced in the House on February 14, 2019

Currently residing in the House Committee on **Ways and Means**

Summary: Income tax credit

**HISTORY OF LEGISLATIVE ACTIONS**

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
1/8/2019	Senate	Introduced and read first time ( <a href="#">Senate Journal-page 180</a> )
1/8/2019	Senate	Referred to Committee on <b>Finance</b> ( <a href="#">Senate Journal-page 180</a> )
1/23/2019		Scrivener's error corrected
2/6/2019	Senate	Committee report: Favorable <b>Finance</b> ( <a href="#">Senate Journal-page 38</a> )
2/7/2019		Scrivener's error corrected
2/12/2019	Senate	Read second time ( <a href="#">Senate Journal-page 10</a> )
2/12/2019	Senate	Roll call Ayes-39 Nays-2 ( <a href="#">Senate Journal-page 10</a> )
2/13/2019	Senate	Read third time and sent to House ( <a href="#">Senate Journal-page 15</a> )
2/14/2019	House	Introduced and read first time ( <a href="#">House Journal-page 3</a> )
2/14/2019	House	Referred to Committee on <b>Ways and Means</b> ( <a href="#">House Journal-page 3</a> )

View the latest [legislative information](#) at the website

**VERSIONS OF THIS BILL**

[1/8/2019](#)

[1/23/2019](#)

[2/6/2019](#)

[2/7/2019](#)



1 COMMITTEE REPORT

2 February 6, 2019

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## S. 314

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Introduced by Senator Alexander

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8 S. Printed 2/6/19--S.

[SEC 2/7/19 10:49 AM]

9 Read the first time January 8, 2019.

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### **THE COMMITTEE ON FINANCE**

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To whom was referred a Bill (S. 314) to amend Article 25, Chapter 6, Title 12 of the 1976 Code, relating to South Carolina income tax credits, by adding Section 12-6-3800, etc., respectfully

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#### **REPORT:**

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That they have duly and carefully considered the same and recommend that the same do pass:

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HUGH K. LEATHERMAN, SR. for Committee.

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### **STATEMENT OF ESTIMATED FISCAL IMPACT**

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#### **Explanation of Fiscal Impact**

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**Introduced on January 8, 2019**

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#### **State Expenditure**

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The bill creates an individual income tax credit for each clinical rotation for which a physician serves as the preceptor for a medical school required clinical rotation. It also creates a credit for each clinical rotation an advanced practice nurse or physician assistant serves as the advanced practice nurse or physician assistant preceptor for a required clinical rotation. The bill applies to clinical rotations for public teaching institutions and independent institutions of higher learning. The tax credit applies to tax years 2020 to 2025. Taxpayers are allowed a credit for a maximum of four rotations and may take a deduction equal to the amount of the credit for any additional six rotations. The bill also requires DOR 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 credit, the total amount of credits allowed, and the number of hours the recipient

1 taxpayers served as preceptors. The report must provide the  
2 information disaggregated by type of preceptor.

3 DOR will create a specific tax credit form to capture the detail  
4 required for the report to the Senate Finance Committee, the House  
5 Ways and Means Committee, and the Governor. The first report  
6 would be available following the first tax year for which the credits  
7 are claimed. The report on tax year 2020 filings, which would be  
8 completed by the filing extension date in October 2021, would be  
9 reported by March 31, 2022. The department has procedures and  
10 systems in place to create the new forms and track the required  
11 information. As such, the bill is not expected to impact expenditures  
12 for the general fund, federal funds, or other funds.

### 13 **State Revenue**

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15 rotation for which a physician, advanced practice nurse, or physician  
16 assistant serves as the preceptor for a required clinical rotation. The  
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18 within a calendar year. The preceptor may claim a tax credit for up  
19 to four rotations and a tax deduction for up to six additional  
20 rotations, for a total of ten rotations. Each clinical rotation must  
21 include a minimum of one hundred sixty hours of instruction, and  
22 the preceptor must not otherwise be compensated for providing the  
23 instruction. The tax credit applies to tax years 2020 to 2025.

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26 percent of the taxpayer's liability after all other credits.  
27 Additionally, fifty percent of the credit may be claimed in the year  
28 earned and the remaining amount claimed in the subsequent tax  
29 year. Any unused credit may be carried forward for a maximum of  
30 ten tax years.

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

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37 the percentage of patients seen by the physician's practice who are  
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42 Medicare, or self-pay and increases to \$1,000 if the practice consists  
43 of at least fifty percent Medicaid, Medicare, or self-pay patients.

[314-2]

1 For advanced practice nurses and physician assistants, the credit  
 2 is disallowed if less than thirty percent of the practice’s patients are  
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7 The clinical rotations must be for the students enrolled in a South  
 8 Carolina public teaching institution or independent institution of  
 9 higher learning. The Coalition for Increasing Access to Primary  
 10 Care (CIAPC) includes members from Clemson University, Francis  
 11 Marion University, Medical University of South Carolina (MUSC),  
 12 and University of South Carolina (USC). CIAPC provided us with  
 13 data regarding the number of preceptors and rotations for all public  
 14 university programs in the state that are expected to qualify for these  
 15 tax credits in 2020. South Carolina Independent Colleges and  
 16 Universities (SCICU) provided data in 2017 on the number of  
 17 qualifying clinical rotations expected at independent nonprofit  
 18 colleges and universities as of 2020. SCICU is working to obtain  
 19 updated data, and we will update our analysis if needed. However,  
 20 the number of preceptors for independent nonprofit colleges is not  
 21 expected to change significantly.

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 23 ESTIMATED CLINICAL PRECEPTORS FOR 2020

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	Physician (MD or DO)	Advanced Practice Nurse (NP)	Physician Assistant (PA)
29 USC School of Medicine Greenville	61	0	0
30 Clemson College of Nursing	69	123	0
31 Francis Marion College of Nursing	64	62	10
32 Francis Marion (PA)	47	10	13
33 MUSC College of Medicine	44	0	0
34 MUSC College of Nursing	26	43	3
35 MUSC College of Health Professions (PA)	63	2	40
36 USC School of Medicine Columbia	156	0	0
37 USC College of Nursing	123	232	7
38 USC PA	57	3	24
39 Anderson University	5	2	0
40 North Greenville University	2	0	2
41 Charleston Southern University	3	0	2
42 Presbyterian College	2	0	2

43

44 In order to estimate the distribution of Medicaid insured,  
 45 Medicare insured, and self-pay patients, we used a national study by  
 46 the Kaiser Family Foundation, *Primary Care Physicians Accepting*  
 47 *Medicare: A Snapshot* from October 30, 2015. This study surveyed  
 48 1,257 non-pediatric primary care physicians accepting new and  
 49 current Medicare patients. The survey found:

[314-3]

1 25 percent of practices consist of less than 25 percent Medicare  
2 patients  
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8 percent across the categories, we would estimate that national  
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20 concentration of Medicaid, Medicare, and uninsured patients in  
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30 *Patients with Public and Private Insurance by Office-based*  
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[314-4]

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 24 estimates, as shown in the attached table, would change should  
 25 colleges and universities add additional qualifying programs not  
 26 included in the current projections.

27  
 28 TAX YEAR 2020 ESTIMATES

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	Total Credits	\$0	\$626,595	\$790,300	\$1,416,895
	Additional Rotations	334	441	417	1,192
	Tax Deduction Liability Reduction at 5.4% Tax Rate	\$0	\$17,862	\$22,529	\$40,391
	Advanced Practice Nurse	Credit Amount	\$0	\$500	\$750
	Number of Preceptors	134	176	167	477
	Rotations from				

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Total Credits	\$0	\$256,225	\$363,563	\$619,788
Additional Rotations	94	124	118	336
Tax Deduction Liability Reduction at 5.4% Tax Rate	\$0	\$62,160	\$88,200	\$150,360
	\$0	\$3,357	\$4,763	\$8,119
<b>Physician Assistant</b>				
Credit Amount	\$0	\$500	\$750	n/a
Number of Preceptors	29		38	36
Rotations from 2 to 4 per Preceptor	83	109	103	295
Total Credits	\$0	\$54,575	\$77,438	\$132,013
Additional Rotations	14	19	18	51
Tax Deduction Liability Reduction at 5.4% Tax Rate	\$0	\$9,435	\$13,388	\$22,823
	\$0	\$509	\$723	\$1,232
<b>Total Credits Earned</b>	<b>\$0</b>	<b>\$937,395</b>	<b>\$1,231,300</b>	<b>\$2,168,695</b>
<b>Total Deductions</b>	<b>Total Liability Reduction from Deductions</b>	<b>\$0</b>	<b>\$21,728</b>	<b>\$28,015</b>
				<b>\$49,743</b>
<b>Total Tax Reduction Earned in TY 2020</b>	<b>\$0</b>	<b>\$959,123</b>	<b>\$1,259,315</b>	<b>\$2,218,438</b>
<b>Total Credits and Deductions Allowed in TY 2020 (FY 2020-21)</b>	<b>\$0</b>	<b>\$490,426</b>	<b>\$643,665</b>	<b>\$1,134,090</b>

Frank A. Rainwater, Executive Director  
Revenue and Fiscal Affairs Office

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**A BILL**

TO AMEND ARTICLE 25, CHAPTER 6, TITLE 12 OF THE 1976 CODE, RELATING TO SOUTH CAROLINA INCOME TAX CREDITS, BY ADDING SECTION 12-6-3800, TO ALLOW AN INCOME TAX CREDIT FOR EACH CLINICAL ROTATION SERVED BY A PHYSICIAN, ADVANCED PRACTICE NURSE, OR PHYSICIAN ASSISTANT AS A PRECEPTOR FOR CERTAIN PROGRAMS.

Whereas, the pipeline for primary care medical, advanced practice nursing, and physician assistant providers in South Carolina is vital to the State; and

Whereas, South Carolina is a largely rural state with a population of 4.8 million and is ranked forty-second nationally in overall health rankings; and

Whereas, South Carolina is ranked thirty-ninth nationally regarding patient access to health care services and forty-third for its total supply of primary care practicing physicians; and

Whereas, such health statistics, along with the shortage and maldistribution of health care professionals, are alarming, resulting in a grade of "F" in health care according to the South Carolina Department of Health and Environmental Control; and

Whereas, according to the South Carolina Department of Health and Environmental Control, all forty-six South Carolina counties are federally designated as being total or partial Medically Underserved Areas/Populations, forty-three counties as Health Professional Shortage Areas (HPSA), with twenty-nine categorized as low income HPSAs and fifteen fulfilling the criteria as geographic

1 HPSAs, the designation used for the most underserved counties.

2 Now, therefore,

3

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

6

7 SECTION 1. Article 25, Chapter 6, Title 12 of the 1976 Code is  
8 amended by adding:

9

10 "Section 12-6-3800. (A) For the purposes of this section:

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

13 (2) 'Medical school-required clinical rotation', 'physician  
14 assistant program-required clinical rotation', or 'advanced practice  
15 nursing program-required clinical rotation' means a clinical rotation  
16 for a public teaching institution or independent institution of higher  
17 learning that:

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

21 (i) medical school;

22 (ii) a physician assistant program; and

23 (iii) an advanced practice nursing program; and

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

26 (i) family medicine;

27 (ii) internal medicine;

28 (iii) pediatrics;

29 (iv) obstetrics and gynecology;

30 (v) emergency medicine;

31 (vi) psychiatry; or

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

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

39 (B)(1) There is allowed an income tax credit for each clinical  
40 rotation a physician serves as the preceptor for a medical school-  
41 required clinical rotation, advanced practice nursing program-  
42 required clinical rotation, and physician assistant program-required  
43 clinical rotation.



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

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

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

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

15 (C)(1) There is allowed an income tax credit for each clinical  
16 rotation an advanced practice registered nurse or physician assistant  
17 serves as the preceptor for an advanced practice nursing or physician  
18 assistant-required clinical rotation.

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

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

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

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

35 (D) A credit earned pursuant to this section is considered earned  
36 in the tax year in which the rotation is served. Fifty percent of the  
37 credit earned may be claimed in the tax year in which it is earned,  
38 and the remaining fifty percent may be claimed in the next tax year.  
39 However, the credit claimed in a tax year may not exceed fifty  
40 percent of the taxpayer's remaining tax liability after all other  
41 credits have been applied. Any unused credit may be carried over to  
42 the immediately succeeding taxable years, except that the credit

1 carry-over may not be used for a taxable year that begins more than  
2 ten years from the year that the credit was earned.

3 (E) If a taxpayer earns the maximum annual credit amount  
4 allowed by this section and the taxpayer serves additional rotations  
5 that otherwise would have qualified for the credit, then the taxpayer  
6 may claim a deduction in an amount equal to the amount that the  
7 credit would have equaled. A taxpayer may earn the deduction  
8 allowed by this subsection up to six times a tax year.

9 (F) By March thirty-first of each year that the tax credit is  
10 allowed, the department shall report the number of taxpayers  
11 claiming the credit allowed by this section, the total amount of  
12 credits allowed, and the number of hours that the recipient taxpayers  
13 served as preceptors to the Senate Finance Committee, the House of  
14 Representatives Ways and Means Committee, and the Governor.  
15 The department must disaggregate taxpayers between physicians,  
16 advanced practice registered nurses, and physician assistants.

17 (G) The department may consult with a designated  
18 administrative entity to determine eligibility and may require any  
19 proof that it determines necessary to efficiently administer the credit  
20 allowed by this section. The department may promulgate regulations  
21 necessary to implement the provisions of this section.”

22

23 SECTION 2. Section 12-6-1140 of the 1976 Code is amended by  
24 adding an appropriately numbered item at the end to read:

25

26 “( ) (a) amounts earned pursuant to Section 12-6-3800(E) for each  
27 clinical rotation a physician serves as the preceptor for a medical  
28 school-required clinical rotation, advanced practice nursing  
29 program-required clinical rotation, and physician assistant program-  
30 required clinical rotation; or

31 (b) amounts earned pursuant to Section 12-6-3800(E) for each  
32 clinical rotation an advanced practice registered nurse or physician  
33 assistant serves as the preceptor for an advanced practice nursing or  
34 physician assistant-required clinical rotation.”

35

36 SECTION 3. This act takes effect upon approval by the Governor  
37 and shall apply to tax years 2020 through 2025. Section 12-6-3800  
38 and Section 12-6-1140( ) are repealed January 1, 2026.

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