



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number:	H. 5225	Amended by House Ways and Means on March 27, 2024
Author:	Cobb-Hunter	
Subject:	Preceptor	
Requestor:	House Ways and Means	
RFA Analyst(s):	Jolliff	
Impact Date:	March 27, 2024	

Fiscal Impact Summary

The bill as amended revises the income tax credit for each clinical rotation for which a physician, advanced practice registered nurse (APRN), or physician assistant (PA) serves as the preceptor by making changes to the current requirements for qualifications and the number of rotations that must be served. The credit must be taken 50 percent in the year earned and 50 percent in the following year, and unused credits may be carried forward for 10 years. The credit is currently set to expire after 2025, and the bill extends the credit through 2029.

The bill will not impact expenditures for the Department of Revenue (DOR). DOR has procedures in place to administer the current preceptor tax credit.

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 current law, no new credits would be earned after 2025, and only carryforward credits would be claimed after FY 2025-26. This bill extends the impact and allows new credits to 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.

Explanation of Fiscal Impact

Amended by House Ways and Means on March 27, 2024

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.¹ We estimate that approximately 72 percent of SC practices meet these current requirements.² 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.³ 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.

¹ *How many patients does a doctor have a day?* ElationHealth.com, July 25, 2022, <https://www.elationhealth.com/resources/blogs/how-many-patients-does-a-doctor-have-a-day> Retrieved March 22, 2024

² *Primary Care Physicians Accepting Medicare: A Snapshot*, Kaiser Family Foundation, October 30, 2015 <https://www.kff.org/medicare/issue-brief/primary-care-physicians-accepting-medicare-a-snapshot/> Retrieved March 22, 2024; Figures adjusted to account for South Carolina population differences to US; See also Fiscal Impact Statements for S. 314 of 2019 https://www.scstatehouse.gov/fiscalimpact.php?type=BILL&session=123&bill_number=314

³Percentage of physicians who accept new Medicaid patients in SC; State Health Access Data Assistance Center; <https://www.shadac.org/state/sc> Retrieved March 21, 2024

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.

Local Expenditure

N/A

Local Revenue

N/A

Frank A. Rainwater, Executive Director