

REPORT OF THE GENERAL GOVERNMENT SUBCOMMITTEE

(Cobb-Hunter, Hayes, Herbkersman, Gagnon, & Moss – Staff Contact: Ryan Tooley)

HOUSE BILL 5225

H. 5225 -- Reps. Cobb-Hunter: 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.

Received by Ways and Means: 3/7/2024

Summary of Bill:

Passed the General Government subcommittee favorably as amended. This bill would create a tax deduction for medical professionals who act as preceptors during a medical school-required clinical rotation. The practice must participate in Medicaid and have a minimum of one hundred Medicaid and Medicare patient combined or at practices that are free clinics. The deduction is earned in the tax year the rotation is served. Fifty percent of the funds earned may be claimed in the tax year earned, and the remaining fifty percent may be claimed in the next. Funds claimed in a tax year may not exceed fifty percent of the taxpayer's remaining tax liability after all other deductions have been applied. The Department of Revenue must produce a report each year. The deduction will be in effect from 2024 to 2030.

Estimated Revenue Impact:

The advisory letter from RFA on the proposed amendment will become the fiscal impact. The bill as amended would decrease General Fund individual income tax revenue by an additional \$279,000 in FY25-26, \$433,000 in FY26-27, and \$747,000 in FY27-28 and thereafter including any growth. Under the proposed changes, new credits would be earned through 2029 (FY29-30), after which time only carryforward credit would remain in 2030 (FY30-31).

Other Notes/Comments:

The amendment strikes the bill and instead amends the current tax credit in law that is available for preceptors by removing the brackets differentiating tax credit amounts based on quotas of Medicaid and Medicare patients served by the practice. The current tax credit will also be extended to 2030.



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

EDWARD B. GRIMBALL, Chairman
C. CURTIS HUTTO
G. MICHAEL MIKOTA, Ph.D.

FRANK A. RAINWATER
Executive Director

March 25, 2024

Mr. Ryan Tooley
Research/Budget Analyst
Ways and Means Committee
South Carolina House of Representatives
525 Blatt Building
Columbia, SC 29201

Dear Mr. Tooley:

This letter is in response to your request for the estimated impact of a proposed amendment to H. 5225 of 2024, referenced as LC-5225.DG0004H, which is a strike and insert amendment that extends and modifies the income tax credit for clinical preceptors in Section 12-6-3800.

Summary

The amendment 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 is currently set to expire after 2025. The amendment is effective for tax year 2025 and extends the credit through 2029.

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

This amendment 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. Under the proposed changes, 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.

EXPLANATION OF FISCAL IMPACT

State Expenditure

The amendment 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. The report must provide the information disaggregated by type of preceptor.

As this is an extension of the existing credit, the amendment is not expected to impact expenditures for DOR.

State Revenue

The amendment 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 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 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 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 APRNs and PAs currently, 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 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 amendment 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 amendment also adds specialty care including dermatology, hematology, neurology, and oncology to the clinical settings that qualify for the credit.

Based on the proposed changes, 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

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

proposal 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 contacted 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.

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

Mr. Ryan Tooley

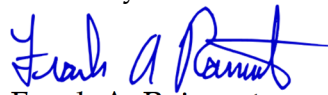
March 25, 2024

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Based on the proposed changes, this amendment 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 proposed changes, 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.

If we may be of further assistance, please advise.

Sincerely,



Frank A. Rainwater

Executive Director

FAR/lhj

cc: Ms. Meredith Ross, Ways & Means Committee

SOUTH CAROLINA
HOUSE AMENDMENT

AMENDMENT NO. _____

David Good
March 25, 2024

| ADOPTED | REJECTED | TABLED | ADJOURN DEBATE | RECONSIDERED | ROO |
|---------|----------|--------|-------------------|--------------|-----|
| | | | | | |

Clerk of the House

ADOPTION NO. _____

BILL NO: H. 5225

(Reference is to the original version)

The General Government Subcommittee proposes the following amendment (LC-5225.DG0004H):

Amend the bill, as and if amended, by striking all after the enacting words and inserting:

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)(4) 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 of ~~includes~~ includes 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)(4) 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 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 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 ~~2025~~2029. Section 12-6-3800 and Section ~~12-6-1140~~(12-6-1140(14)) are repealed January 1, ~~2026~~2030.

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

Renumber sections to conform.
Amend title to conform.

South Carolina General Assembly
125th Session, 2023-2024

Download [This Bill](#) in Microsoft Word Format

~~Indicates Matter Stricken~~

Indicates New Matter

H. 5225

STATUS INFORMATION

General Bill

Sponsors: Rep. Cobb-Hunter

Document Path: LC-0368DG24.docx

Introduced in the House on March 6, 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 |

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VERSIONS OF THIS BILL

[03/06/2024](#)

[03/14/2024](#)

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.

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

SECTION 1.A. Article 9, Chapter 6, Title 12 of the S.C. Code is amended by adding:

Section 12-6-1180. (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;

(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 deduction 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 the physician's or nurse practitioner's practice includes Medicaid-insured or Medicare-insured, then the deduction 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.

(C) There is allowed the same income tax deduction 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.

(D) A deduction earned pursuant to this section is considered earned in the tax year in which the rotation is served. Fifty percent of the funds earned may be claimed in the tax year in which it is earned, and the remaining fifty percent may be claimed in the next year. However, the funds claimed in a tax year may not exceed fifty percent of the taxpayer's remaining tax liability after all other deductions have been applied.

(E) By March thirty first of each year that the tax deduction is allowed, the department shall report the number of taxpayers claiming the deduction allowed by this section, the total amount of deductions allowed, and the number of hours that the recipient taxpayers served as preceptors to the Senate Finance Committee, the House of Representatives Ways and Means Committee, and the Governor. The department must disaggregate taxpayers between physicians, advanced practice registered nurses, and physician assistants.

(F) The department may consult with a designated administrative entity to determine eligibility and may require any proof that it determines necessary to efficiently administer the deduction allowed by this section. The department may promulgate regulations necessary to implement the provisions of this section.

B. A taxpayer may not claim the deduction allowed by Section [12-6-1180](#) and claim the credit and deduction allowed by Section [12-6-3800](#) in the same tax year.

SECTION 2. This act takes effect upon approval by the Governor and applies to tax years beginning after 2024 and ending before 2030, at which time, Section [12-6-1180](#) is repealed.

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This web page was last updated on March 14, 2024 at 10:56 AM