

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT  
LEGISLATIVE RESEARCH COMMISSION  
2017 REGULAR SESSION**

**MEASURE**

2017 BR NUMBER **0394**

**SENATE** BILL NUMBER **93**

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

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

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

**SPONSOR** **Senator R. Alvarado**

**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**

<b>FISCAL ESTIMATES</b>	<b>2016-2017</b>	<b>2017-2018</b>	<b>ANNUAL IMPACT AT FULL IMPLEMENTATION</b>
<b>REVENUES</b>	(\$50,000)	(\$400,000)	(\$950,000)
<b>EXPENDITURES</b>			
<b>NET EFFECT</b>	(\$50,000)	(\$400,000)	(\$950,000)

( ) indicates a decrease/negative

**MEASURE'S PURPOSE:** This bill creates a nonrefundable income tax credit of \$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 6 clinical rotations.

**PROVISIONS/MECHANICS:** For taxable years beginning on or after January 1, 2018, but before January 1, 2022, the voluntary preceptor credit is created. The credit may be claimed by a Kentucky-licensed physician who volunteers to teach and supervise a core clinical rotation in a rural or urban underserved area of the Commonwealth. 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, the University of Louisville, and the regional centers associated with each university. The student must be participating in a teaching program offered by an accredited medical or osteopathic school, physician assistant program, or nurse practitioner program.

**FISCAL EXPLANATION:** The Kentucky AHEC system has provided information related to the current number of preceptors and clinical rotations supervised. In 2016, there were approximately 235 qualifying preceptors, that is, preceptors who supervised three or more

rotations. These preceptors, assuming they kept the same rotations in 2017, would be able to claim the new tax credit immediately, resulting in a loss of approximately \$400,000 to the general fund. Additionally, there are 962 preceptors that did not supervise at least 3 rotations in 2016. It is anticipated that within two or three years, the number of preceptors who supervise at least three rotations will increase by 50% in response to this tax credit. If the number of qualifying preceptors increased as anticipated, the impact to the General Fund in two to three years would be a loss of approximately \$950,000 in revenue.

Even though the new tax credit will only apply to taxable years beginning on or after January 1, 2018, there will be a smaller impact on the General Fund in fiscal year 2016–2017, as individuals will account for the tax credit when making estimated tax payments for tax year 2018. The estimated impact of this bill on the General Fund is shown in the table below:

Fiscal Year	Negative Impact to the General Fund
2016–2017	(\$50,000)
2017–2018	(\$400,000)
2018–2019	(\$885,000)
2019–2020	(\$950,000)
2020–2021	(\$950,000)
2021–2022	(\$950,000)
2022–2023	(\$50,000)

**DATA SOURCE(S): LRC Appropriations & Revenue Staff; Kentucky AHEC**

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