



State Fiscal Note for Bill Number: 2022-H-7236

Date of State Budget Office Approval: Thursday, May 5, 2022

Date Requested: Wednesday, March 2, 2022

Date Due: Saturday, March 12, 2022

Impact on Expenditures

FY 2022	n/a
FY 2023	n/a
FY 2024	n/a

Impact on Revenues

FY 2022	n/a
FY 2023	(25,000)
FY 2024	(50,000)

*Explanation by State
Budget Office:*

This bill would amend Rhode Island General Laws (R.I. Gen. Laws) title 44 titled "Taxation" by adding to it R.I. Gen. Laws Chapter 44-70 titled "Preceptors Tax Credit Act". This new chapter would establish a tax credit of up to \$500 for preceptor clinicians working in a clinical preceptorship program authorized by the University of Rhode Island or Rhode Island College.

In order to qualify, a preceptor clinician, defined as a "physician or registered nurse licensed by the department of health who provides on-site clinical education as a preceptor clinician to nurse practitioner graduate students enrolled in the graduate nursing program at the University of Rhode Island or Rhode Island College," must serve a minimum of 400 hours per calendar year in a qualified clinical preceptorship without compensation. A clinical preceptorship must be a preceptorship "for a nurse practitioner graduate student enrolled in the graduate nursing program at the University of Rhode Island or Rhode Island College" and must provide "preceptor instruction in family medicine, internal medicine, pediatrics, obstetrics and gynecology, emergency medicine, psychiatry or general surgery, under the supervisions of a preceptor clinician" to qualify.

The Department of Revenue, Division of Taxation (Taxation) cannot issue more than \$50,000 in income tax credits under this section per calendar year and must create forms with instructions for claiming the preceptors tax credit, as well as the rules and regulations necessary to administer the preceptors tax credit.

Under current law, no such state income tax credit exists.

*Comments on
Sources of Funds:*

The bill allows for a state income tax credit without specifying the tax type to which the tax credit would apply. The Department of Revenue, Office of Revenue Analysis (ORA) assumed that the proposed state income tax credit would be applied to the personal income tax. All personal income tax revenues are general revenues.

*Summary of Facts
and Assumptions:*

This bill takes effect on January 1, 2023 but does not specify the tax years to which the tax credit contained in the bill applies; for purposes of administration, the tax credit should apply to tax year 2023, and subsequent tax years. The Department of Revenue, Office of Revenue Analysis (ORA) recommends that the bill be redrafted to specify exactly to which tax years the bill applies. The Department of Revenue, Division of Taxation has identified multiple concerns with the bill as drafted and will be submitting a letter of concern regarding those concerns.

Based upon the accrual methodology employed by the Department of Administration, Office of Accounts and Controls (OAC), tax law changes that take effect in the middle of a fiscal year have a current fiscal year revenue impact equal to one-half of the succeeding fiscal year's revenue impact. The Office of Revenue

Prepared by:

Madiha Zaffou / / Madiha.Zaffou@revenue.ri.gov

Thursday, May 5, 2022

Page 1 of 2

Analysis (ORA) has used this accrual-based methodology to provide the budgetary revenue impacts contained in this fiscal note.

The proposed bill creates a state income tax credit but does not specify against which taxes the income tax credits can be used. ORA recommends that the bill be redrafted to specify exactly to which taxes the credit in the bill can be used against. ORA assumed that the credit would be used against the personal income tax. If the intent of the bill is to allow the credit to be used against the personal income tax, then the tax credit contained in the bill should be added to the list of credits allowed to be used against the personal income tax as set forth in R.I. Gen. Laws § 44-30-2.6(c)(3)(F). ORA recommends that the bill be redrafted to add the proposed tax credit to the list of allowable credits for use against the personal income tax.

Furthermore, the bill specifies that a tax credit of “up to” \$500 will be allowed for the calendar year in which the qualified taxpayer served as a preceptor clinician but does not indicate under which conditions a qualified taxpayer would not receive that maximum amount. ORA recommends that the bill be redrafted to delineate the necessary conditions for the allowable tax credit amount.

According to the legislative findings in the proposed bill, there are less than 200 qualified preceptors who volunteer their time to educate nurse practitioner students at the University of Rhode Island and Rhode Island College. Assuming that the proposed income tax credit, in addition to recruitment efforts by the University of Rhode Island and Rhode Island College, are successful in increasing the number of qualified preceptors to at least 200 in 2022, and that all eligible preceptors receive the maximum tax credit of \$500 yields a full year estimated cost of the proposed tax credit of \$100,000 for tax year 2023 (i.e., \$500 * 200).

However, the bill includes an aggregate tax credit cap of \$50,000 per calendar year. Therefore, ORA assumed the income tax credit would be administered on a first come, first served basis and, as a result, only 100 qualified preceptors would receive the \$500 tax credit in 2023, yielding an estimated cost of \$50,000 in 2023 (i.e., 100 * \$500). ORA assumed no growth from the tax year 2023 estimate to tax year 2024. Because the implementation date is halfway through the fiscal year, the fiscal impact for FY 2023 is estimated to be \$25,000 (i.e., 0.5 * \$50,000).

The Governor’s FY 2023 Recommended Budget projects a closing surplus of \$135,509,903 in FY 2022 and \$7,985,467 in FY 2023. Passage of this bill would have no impact on the FY 2022 closing surplus, but it would decrease the FY 2023 closing surplus and increase the FY 2024 projected budget deficit of \$215.3 million.

FY 2022: No revenue impact is forecast due to the implementation date of January 1, 2023.
FY 2023: A revenue loss of \$25,000 is forecast.
FY 2024: A revenue loss of \$50,000 is forecast.

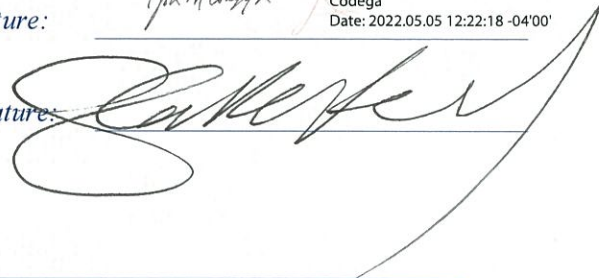
Summary of Fiscal Impact:

Budget Office Signature:



Digitally signed by Joseph Codega
Date: 2022.05.05 12:22:18 -04'00'

Fiscal Advisor Signature:



Prepared by:

Madiha Zaffou / Madiha.Zaffou@revenue.ri.gov