



State Fiscal Note for Bill Number: 2023-H-5395

Date of State Budget Office Approval: Wednesday, May 10, 2023

Date Requested:

Date Due:

<i>Impact on Expenditures</i>		<i>Impact on Revenues</i>	
FY 2023	N/A	FY 2023	N/A
FY 2024	\$196,224	FY 2024	(\$100,000)
FY 2025	\$206,064	FY 2025	(\$200,000)

**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 44-71 titled "Preceptors Tax Credit Act." This new chapter would establish a tax credit of up to \$1,000 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, licensed physician assistant or nurse practitioner licensed by the Department of Health who provides on-site clinical education as a clinical educator 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 120 hours or the equivalent of 3 credit hour graduate courses per calendar year in a qualified clinical preceptorship. 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 \$200,000 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:**

Tax Credit: [The Budget Office Consulted with the Department of Revenue, Office of Revenue Analysis to determine the impact of the tax credit component of this bill]

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.

Personnel Costs:

Salary and benefit expenditures for the Division of Taxation are financed with

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**Summary of Facts
and Assumptions:**

general revenue.

Tax Credit: Tax Credit: [The Budget Office Consulted with the Department of Revenue, Office of Revenue Analysis to determine the impact of the tax credit component of this bill]

This bill takes effect on January 1, 2024, 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 2024, and subsequent tax years. ORA recommends that the bill be redrafted to specify exactly to which tax years the bill applies. The Division of Taxation has identified multiple concerns with the bill as drafted and will be submitting a letter of concern regarding those concerns.

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)(K). 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” \$1,000 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 a similarly proposed bill in 2022, it listed there were 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 2024, and that all eligible preceptors receive the maximum tax credit of \$1,000 yields a full year estimated cost of the proposed tax credit of \$200,000 for tax year 2024 (i.e., \$1,000 * 200).

The bill also includes an aggregate tax credit cap of \$200,000 per calendar year. Therefore, ORA assumed the income tax credit would be administered on a first come, first served basis. ORA assumed no growth from the tax year 2024 estimate to tax year 2025. Because the implementation date is halfway through the fiscal year, the fiscal impact for FY 2024 is estimated to be \$100,000 (i.e., 0.5 * \$200,000).

Personnel Costs:

To properly implement the provisions of this bill the Division of Taxation has stated it will need an additional Tax Auditor I and Taxpayer Service Specialist.

Since this requires 2.0 new FTE, the FTE authorization for the Department of Revenue must increase accordingly.

FY 2023:

This analysis assumes passage on July 1, 2023, therefore there is no fiscal impact in FY 2023.

FY 2024:

It is assumed it will take approximately two months to hire the necessarily staff, and both positions will be filled for approximately ten months in FY 2024. The FY 2024 cost of the positions is \$150,942 which consists of \$78,635 for the Tax Auditor I (Salary: \$44,710, Benefits: \$33,925) and \$72,306 for the Taxpayer Service Specialist (Salary: \$40,395, Benefits: \$31,912) based on the Budget Office's FY 2024 planning values.

FY 2025:

The Five-Year Forecast included in the FY 2024 Governor's Recommended Budget assumed personnel costs will increase by 2.36 percent in FY 2025. This growth rate was applied to the methodology used to calculate the FY 2024 fiscal impact.

The FY 2025 cost of the two positions is \$206,064, which consists of \$107,538 for the Tax Auditor I (Salary: \$61,471, Benefits: \$46,067) and \$98,526 for the Taxpayer Service Specialist (Salary: \$55,327, Benefits: \$43,199).

**Summary of Fiscal
Impact:**

Tax Credit:

FY 2023: No revenue impact is forecast due to the effective date of January 1, 2024.

FY 2024: A revenue loss of \$100,000 is forecast.

FY 2025: A revenue loss of \$200,000 is forecast.

Personnel Costs:

FY 2023: N/A

FY 2024: \$196,224

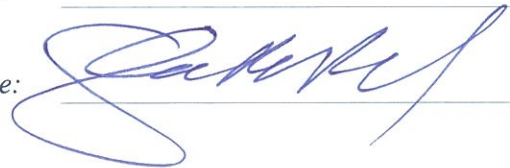
FY 2025: \$206,064

Budget Office Signature:



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Fiscal Advisor Signature:



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