HB 22-1005

Legislative Council Staff

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Fiscal Note

Drafting Number:	LLS 22-0484	**Date:**	January 28, 2022
Prime Sponsors:	Rep. McCluskie; Will Sen. Rankin	**Bill Status:**	House Health & Insurance
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Bill Topic: **HEALTH CARE PRECEPTORS TAX CREDIT**

Summary of Fiscal Impact:

☒ State Revenue
☒ State Expenditure
☐ State Transfer
☒ TABOR Refund
☐ Local Government
☐ Statutory Public Entity

This bill modifies and extends the income tax credit for health care preceptors working in health care professional shortage areas through tax year 2032. It reduces state revenue and minimally increases state workload over the term for which the tax credit is extended.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 22-1005

		Budget Year FY 2022-23	Out Year FY 2023-24	Out Year FY 2024-25
Revenue	General Fund	(up to $150,000)	(up to $300,000)	(up to $300,000)
Expenditures		-	-	-
Transfers		-	-	-
Other Budget Impacts	TABOR Refund	(up to $150,000)	(up to $300,000)	Not estimated

Summary of Legislation

Under current law, the state income tax credit for health care preceptors working in health care professional shortage areas is available through tax year 2022. This bill extends the credit through tax year 2032.

In addition, the bill modifies the income tax credit by:

- allowing up to 300, rather than 200, preceptors to claim the income tax credit;
- allowing nonconsecutive days to be counted when determining the eligibility for the income tax credit;
- modifying the definitions of “rural areas,” “preceptorships,” and “primary health care”; and
- modifying the certification requirements for taxpayers to claim the income tax credit.

The bill also expands who may offer a preceptorship to include a medical doctor, doctor of osteopathic medicine, advanced practice nurse, physician assistant, doctor of dental surgery or doctor of dental medicine, registered nurse, registered dental hygienist, licensed clinical or counseling psychologist, licensed clinical social worker, licensed professional counselor, licensed marriage and family therapist, psychiatric nurse specialist, licensed addiction counselor, or certified addiction counselor working in an outpatient clinical setting who has been licensed in a primary health care field in the state by the applicable licensing authority.

Finally, the bill expands who may participate in a preceptorship to include individuals matriculating at any accredited Colorado institution of higher education seeking a degree or certification in a primary health care field.

Background

The income tax credit for health care preceptors working in health care professional shortage areas was created pursuant to House Bill 16-1142 and was first available for tax year 2017. House Bill 19-1088 extended the income tax credit through tax year 2022. The income tax credit is nonrefundable but may carried forward for five succeeding income tax years.

Under current law, the credit is available for licensed health care professionals who provide uncompensated personalized instruction, training, and supervision to one or more graduate students seeking a medical degree at a Colorado institution of higher education. Instruction, training, and supervision must last at least four weeks during the income tax year in which the credit is claimed. A qualifying health care professional must be practicing in a designated rural or frontier county and must provide a certification form with their income tax return certifying that he or she has satisfied the requirements for the tax credit. The certification form may be provided by an institution of higher education, hospital, or area health education center.

Under current law, the credit is available up to 200 qualifying taxpayers each year and equal to $1,000 per taxpayer. The Department of Revenue (DOR) approves the credits on first-come first-served basis. Table 2 shows a summary of the income tax credit for health care preceptors working in health care professional shortage areas for tax years 2017 to 2020. The table shows the number of taxpayers and amounts claimed, but does not summarize any carry forward amounts. Data from the DOR shows that less than 100 credits have been approved each year since 2017.

Table 2
Rural and Frontier Health Care Preceptor Credits

Tax Year	Number of Taxpayers	Amount Claimed
2017	76	$76,000
2018	89	$87,781
2019	92	$90,392
2020	65	$64,211

The Office of the State Auditor (OSA) is required to evaluate all of the state's tax expenditures at least once every five years. The OSA published the Rural and Frontier Health Care Preceptor income tax credit evaluation report on September 2019. The OSA evaluation determined that the Rural and Frontier Health Care Preceptor income tax credit is meeting its purpose to some extent because some eligible preceptors are using it, and the credit amount may be a sufficient financial incentive for some preceptors. The full report can be found here: https://leg.colorado.gov/sites/default/files/2019-te1_rural_frontier_healthcare_preceptor_credit.pdf.

State Revenue

The bill is expected to reduce General Fund revenue by up to $150,000 in FY 2022-23, up to $300,000 in FY 2023-24, up to $300,000 in FY 2024-25, and by similar amounts through FY 2032-33, when the credit is set to expire. The decrease for FY 2022-23 represents a half-year impact for tax year 2023 on an accrual accounting basis. These estimates provide an upper bound for the revenue impact, which is limited to a maximum 300 taxpayers each year claiming a credit amount of $1,000 each. To the extent that fewer preceptors participate in the program, the state revenue impact will be less than estimated. Individual income tax revenue is subject to TABOR.

State Expenditures

The bill minimally increases state workload in the Department of Revenue for tax administration.

Department of Revenue. The bill will increase the number of state income tax credits claimed for tax years 2023 through 2032, increasing Department of Revenue workload to process tax returns in FY 022-23 through FY 2032-33. Based on the number of taxpayers who qualify for the credit, the workload increase is assumed to be minimal and can be accomplished within existing appropriations. In addition, the extension and modifications in the bill will not require programming changes to the GenTax system.

Other Budget Impacts

TABOR refunds. The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the December 2021 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2023-24. Because TABOR refunds are paid from the General Fund, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Counties	Health Care Policy and Financing
Higher Education	Information Technology
Municipalities	Personnel
Revenue	