



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0496 - Provide for health care preceptor individual income tax credit (Walsh, Kenneth)

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	(\$57,000)	(\$115,000)	(\$174,000)
Net Impact-General Fund Balance:	<u>\$0</u>	<u>(\$57,000)</u>	<u>(\$115,000)</u>	<u>(\$174,000)</u>

Description of fiscal impact: HB 496 creates a non-refundable personal income tax credit for serving as a preceptor in Montana. The first tax year the credit would be available is TY 2024. The proposed credit would reduce general fund revenue by \$57,000 in FY 2025, \$115,000 in FY 2026, and \$174,000 in FY 2027.

FISCAL ANALYSIS

Assumptions:**Department of Revenue**

1. HB 496 creates a personal income tax credit for taxpayers serving as a preceptor of a student enrolled in an eligible health care training program in the state. The credit first becomes available starting TY 2024.
2. The proposed credit is \$1,000 for each eligible clinical rotation. The maximum credit amount each taxpayer can claim is \$5,000 each tax year. The credit is non-refundable and cannot be carried forward or back.
3. Other states have implemented similar preceptor tax credits.
4. The state of Georgia has implemented an income tax credit for community-based faculty preceptors that conduct a preceptorship rotation. The credit for physician is \$500 for the first three rotations, with the credit increasing to \$1,000 for the next six rotations during the calendar year. The credit for advanced practice registered nurses or physical assistants is \$375 for the first three rotations, with an increase in the credit to \$750 for the next six rotations. The credit was first available in TY 2019 and is non-refundable.

5. The state of Hawaii also implemented a preceptor tax credit for advanced practice registered nurses, physicians, and registered pharmacists who provide clinical teaching for in-state students. The credit is \$1,000 for each rotation, with a maximum of \$5,000 per individual. The credit was first available starting TY 2019.
6. The state of Colorado implemented a rural and frontier health care preceptor income tax credit in 2016. The non-refundable tax credit can be claimed by a taxpayer who provides primary health care in a rural or frontier area. The credit is \$1,000 and only 300 credits can be claimed by taxpayers each tax year. The state of Colorado modified the credit to expand the types of providers that can qualify for the credit in 2022.
7. The average number of credits claimed per capita for each of the three states was, or estimated to be, approximately \$0.123.

Tax Year	State	Preceptor Tax Credits Claimed		
		Credits	Population Estimates	Credits Per Capita
2019	Georgia	\$2,094,793	10,628,020	\$0.197
2019	Hawaii	\$371,000	1,415,615	\$0.262
2020	Hawaii	\$368,000	1,451,043	\$0.254
2021	Hawaii	\$559,000	1,447,154	\$0.386
2017	Colorado	\$76,000	5,617,421	\$0.014
2018	Colorado	\$88,000	5,697,155	\$0.015
2019	Colorado	\$90,392	5,758,486	\$0.016
2020	Colorado	\$65,211	5,784,865	\$0.011
2022	Colorado	\$150,000	5,839,926	\$0.026
2023	Colorado	\$300,000	5,839,926	\$0.051

8. As Colorado limited the number of credits that can be claimed and limited the types of preceptors that could claim the credit, it is assumed that the \$0.123 in per capita average credits is less than what a similar credit in Montana will generate.
9. It is assumed that the average per-capita credits claimed in Montana will be \$0.15, once fully implemented.
10. Based on HJ 2 revenue forecasts, Montana’s population is expected to be 1,139,800 in 2024 and 1,149,200 in 2025. Montana’s Census and Economic Information Center estimates that Montana’s population will increase by 0.8% from 2025 to 2026. Based on a population increase of 0.8%, it is assumed that Montana’s population will be 1,158,400 in 2026.
11. Based on population forecasts, and per capita credit usage of \$0.15, the total number of credits claimed in TY 2024 are estimated to be \$171,000 (0.15 X 1,139,800). For TY 2025, total credits claimed are estimated to be \$172,000 (0.15 X 1,149,200). Total credits claimed in TY 2026 are estimated to be \$174,000 (0.15 X 1,158,400).
12. It is assumed that there will be a phase-in during the first two years before all the estimated providers claim the credit. It is assumed that 1/3 of credits will be claimed in TY 2024 and 2/3 of credits will be claimed in TY 2025, with 100% of credits claimed in TY 2026 and beyond.
13. Based on the credit estimates, and phase-in amounts, total credits claimed are estimated to be \$57,000 in TY 2024, \$115,000 in TY 2025, and \$174,000 in TY 2026.
14. It is assumed that taxpayers will not change their withholding or estimated payments as a result this credit.
15. With no changes to withholding or estimated payments, the credit will reduce general fund revenue the fiscal year after the tax year when taxpayers file their returns.
16. The proposed bill will reduce general fund revenue by \$57,000 in FY 2025, \$114,900 in FY 2026, and \$173,800 in FY 2027.
17. The changes made by HB 496 can be made as part of the DOR annual change processes. The department does not expect to incur any significant additional costs because of this bill.

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
Department of Revenue				
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	\$0	(\$57,000)	(\$115,000)	(\$174,000)
TOTAL Revenues	<u>\$0</u>	<u>(\$57,000)</u>	<u>(\$115,000)</u>	<u>(\$174,000)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	(\$57,000)	(\$115,000)	(\$174,000)

	
<u>Sponsor's Initials</u>	<u>Budget Director's Initials</u>
<u>2/20/2023</u>	<u>2-20-23</u>
<u>Date</u>	<u>Date</u>