
A BILL FOR AN ACT

RELATING TO HEALTHCARE PRECEPTOR TAX CREDITS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that demand for
2 healthcare providers in Hawaii is growing because of an increase
3 in population size, particularly among the aged population; an
4 improvement in access to care due to broader insurance coverage;
5 and a higher prevalence of chronic diseases. At the same time,
6 there is a primary care provider shortage in Hawaii that will be
7 exacerbated by the projected retirements of current physicians
8 and advanced practice registered nurses. If nothing is done to
9 address the gap between healthcare supply and demand, patients
10 will suffer from longer wait times to see providers and poorer
11 health outcomes. Even more so, the evolution of healthcare
12 delivery means academic institutions across Hawaii face
13 challenges in ensuring an adequate number of future healthcare
14 professionals who are well-distributed by location and by
15 specialty and who are prepared to deliver primary, specialty,
16 and behavioral health care in rural, urban, and suburban
17 settings across Hawaii. Thus, the legislature acknowledges that
18 in order to meet these growing healthcare demands, the State



1 must work with academic institutions and healthcare
2 professionals to ensure that there is an adequate and well-
3 prepared healthcare workforce.

4 The legislature further finds that Hawaii high school
5 students and residents are interested in pursuing careers in the
6 healthcare service industry. However, in-state educational
7 institutions are constrained by the lack of clinical education
8 sites in Hawaii and the limited supply of qualified primary and
9 specialty care preceptors. The legislature recognizes that
10 efforts are currently underway to address these clinical site
11 limitations, including travel support from health professional
12 schools in Hawaii for students and residents who are incurring
13 high costs for training away from their home island. With out-
14 of-state training having such a high cost, the State must
15 consider expanding in-state healthcare provider education
16 capacity.

17 The legislature also finds that the development of new
18 clinical preceptors and training sites is increasingly
19 difficult. The cohort of preceptors consists largely of
20 volunteers who share the kuleana of educating the future
21 healthcare workforce. Yet, providers who offer such volunteer-



1 based education assume this responsibility above and beyond
2 their regular patient-care responsibilities, subjecting
3 themselves to preceptor fatigue, especially in busy clinical
4 settings. Developing sufficient clinical training opportunities
5 in areas of high demand requires a sufficient number of
6 appropriately trained preceptors, but the limited availability
7 of preceptors restricts in-state healthcare academic
8 institutions from expanding healthcare provider training. Some
9 states, including Maryland, Georgia, and Colorado, have
10 identified preceptor tax exemptions as a means to increase the
11 supply of health professional preceptors and trainees.

12 The purpose of this Act is to create a tax credit that
13 encourages preceptors to offer professional instruction,
14 training, and supervision to students and residents seeking
15 careers as primary care physicians and advanced practice
16 registered nurses throughout Hawaii, with the intention of
17 building capacity for clinical education at in-state academic
18 programs that are nationally accredited for the training of
19 primary care physicians, advanced practice registered nurses,
20 and pharmacy professionals.



1 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§235- Healthcare preceptor tax credit. (a) There
5 shall be allowed to each taxpayer subject to the tax imposed by
6 this chapter, a healthcare preceptor tax credit that shall be
7 deductible from the taxpayer's net income tax liability, if any,
8 imposed by this chapter for the taxable year in which the credit
9 is properly claimed.

10 (b) The amount of the credit shall be equal to \$1,000 for
11 each volunteer-based supervised clinical training rotation
12 supervised by the taxpayer, up to a maximum of \$5,000 per
13 taxable year, regardless of the number of volunteer-based
14 supervised clinical training rotations supervised by the
15 taxpayer.

16 (c) The director of taxation:

17 (1) Shall prepare any forms that may be necessary to claim
18 a tax credit under this section;

19 (2) May require the taxpayer to furnish reasonable
20 information to ascertain the validity of the claim for
21 the tax credit made under this section; and



1 (3) May adopt rules pursuant to chapter 91 necessary to
2 effectuate the purposes of this section.

3 (d) The preceptor credit assurance committee, established
4 under section 321- , shall:

5 (1) Maintain records of the names, addresses, and license
6 numbers of the taxpayers claiming the credit under
7 this section;

8 (2) Certify the number of volunteer-based supervised
9 clinical training rotations each taxpayer conducted
10 by:

11 (A) Verifying that the taxpayer meets the
12 requirements to serve as a preceptor;

13 (B) Verifying the number of hours the taxpayer spent
14 supervising an eligible student in each
15 volunteer-based supervised clinical training
16 rotation;

17 (C) Verifying that the eligible student was enrolled
18 in an academic program in Hawaii; and

19 (D) Verifying that the taxpayer was uncompensated;
20 and



1 (3) Certify the amount of the tax credit for each taxpayer
2 for each taxable year and the cumulative amount of the
3 tax credit.

4 Upon each determination, the preceptor credit assurance
5 committee shall issue a certificate to the taxpayer verifying
6 the number of volunteer-based supervised clinical training
7 rotations supervised by the taxpayer, the credit amount
8 certified for the taxpayer for each taxable year, and the
9 cumulative amount of tax credits certified. The taxpayer shall
10 file the certificate with the taxpayer's tax return with the
11 department.

12 (e) If in any taxable year the annual amount of certified
13 credits for all taxpayers reaches \$1,500,000 in the aggregate,
14 the preceptor credit assurance committee shall immediately
15 discontinue certifying credits and notify the department of
16 taxation. In no instance shall the preceptor credit assurance
17 committee certify a total amount of credits exceeding \$1,500,000
18 per taxable year. To comply with this restriction, the
19 preceptor credit assurance committee shall certify or deny
20 credits in the order submitted for certification; provided that



1 credits shall not be submitted for certification prior to the
2 supervised clinical training rotation being performed.

3 (f) If the tax credit under this section exceeds the
4 taxpayer's income tax liability, the excess of the credit over
5 liability may be used as a credit against the taxpayer's income
6 tax liability in subsequent years until exhausted. All claims
7 for the tax credit under this section, including amended claims,
8 shall be filed on or before the end of the twelfth month
9 following the close of the taxable year for which the credits
10 may be claimed. Failure to comply with the foregoing provision
11 shall constitute a waiver of the right to claim the credit.

12 (g) For the purposes of this section:

13 "Academic program" means an academic degree granting
14 program or graduate medical education program that:

15 (1) Holds either its principal accreditation or a physical
16 location in Hawaii; and

17 (2) Provides education to students, of whom more than
18 fifty per cent are residents of Hawaii.

19 "Advanced practice registered nurse student" means an
20 individual participating in a nationally accredited academic
21 program that is for the education of advanced practice



1 registered nurses and recognized by the state board of nursing
2 pursuant to chapter 457.

3 "Eligible professional degree or training certificate"
4 means a degree or certificate that fulfills a requirement to be
5 a physician or osteopathic physician, pursuant to chapter 453,
6 an advanced practice registered nurse, pursuant to chapter 457,
7 or a pharmacist, pursuant to chapter 461.

8 "Eligible student" means an advanced practice registered
9 nurse student, medical student, or pharmacy student who is
10 enrolled in an academic program.

11 "Medical student" means an individual participating in a
12 nationally accredited academic program leading to the medical
13 doctor or doctor of osteopathy degree. "Medical student"
14 includes graduates from nationally accredited academic programs
15 who have continued their training, in the role of resident or
16 fellow, to obtain the additional qualifications needed for
17 medical licensure, pursuant to chapter 453, or specialty
18 certification.

19 "Nationally accredited" means holding an institutional
20 accreditation by name to offer post-secondary medical primary
21 care education. Accreditation for medical students shall be



1 offered by the Liaison Committee on Medical Education or
2 American Osteopathic Association Commission on Osteopathic
3 College Accreditation. Accreditation for advanced practice
4 registered nurse students shall be offered by the Commission on
5 Collegiate Nursing Education.

6 "Pharmacy student" means an individual participating in an
7 academic program that is nationally accredited for the training
8 of individuals to become registered pharmacists pursuant to
9 chapter 461.

10 "Preceptor" means a physician or osteopathic physician,
11 licensed pursuant to chapter 453, an advanced practice
12 registered nurse, licensed pursuant to chapter 457, or a
13 pharmacist, licensed pursuant to chapter 461, who is a resident
14 of Hawaii and who maintains a professional primary care practice
15 in this State.

16 "Primary care" means the principal point of continuing care
17 for patients provided by a healthcare provider, including health
18 promotion, disease prevention, health maintenance, counseling,
19 patient education, diagnosis and treatment of acute and chronic
20 illnesses, and coordination of other specialist care that the
21 patient may need.



1 "Volunteer-based supervised clinical training rotation"
2 means an uncompensated period of supervised clinical training of
3 an eligible student that totals at least eighty hours of
4 supervisory time annually, in which a preceptor provides
5 personalized instruction, training, and supervision to an
6 eligible student to enable the eligible student to obtain an
7 eligible professional degree or training certificate."

8 SECTION 3. Chapter 321, Hawaii Revised Statutes, is
9 amended by adding a new section to be appropriately designated
10 and to read as follows:

11 "§321- Preceptor credit assurance committee. (a) There
12 is established the preceptor credit assurance committee within
13 the department of health. The committee shall develop and
14 implement a plan for certifying healthcare preceptor tax credits
15 under section 235- , including:

16 (1) Developing a process ensuring that requests for credit
17 certification are reviewed and verifications are
18 processed no later than thirty days following the
19 close of each calendar year;



- 1 (2) Developing the documentation process for the committee
2 to certify a preceptor for the tax credit; provided
3 that the documentation to be collected shall include:
4 (A) The preceptor's name, address, place of practice,
5 and Hawaii provider license number;
6 (B) Dates and hours of volunteer-based supervised
7 clinical training rotation per eligible student;
8 (C) Attestation that the preceptor is uncompensated
9 for the volunteer-based supervised clinical
10 training rotation; and
11 (D) Other information deemed necessary by the
12 committee.
- 13 (b) The committee shall be composed of representatives of:
14 (1) The Hawaii/Pacific basin area health education center;
15 (2) The center for nursing; and
16 (3) Academic programs with eligible students.
- 17 (c) Members of the committee shall be immune from civil
18 liability for any official act, decision, or omission performed
19 for the purpose for which the committee was established, except
20 for any acts, decisions, or omissions that constitute gross
21 negligence or wilful misconduct.



1 (d) The proceedings of the committee shall not be subject
2 to part I of chapter 92.

3 (e) As used in this section, "academic program", "eligible
4 student", "preceptor", and "volunteer-based supervised clinical
5 training rotation" shall have the same meanings as in section
6 235- ."

7 SECTION 4. The department of health shall evaluate the
8 efficacy of the healthcare preceptor tax credit established by
9 this Act and submit a report to the legislature no later than
10 June 30, 2024, which shall include the department's findings and
11 a recommendation of whether the tax credit should be retained
12 without modification, amended, or repealed.

13 SECTION 5. New statutory material is underscored.

14 SECTION 6. This Act shall take effect upon its approval;
15 provided that section 2 shall apply to taxable years beginning
16 after December 31, 2018.



Report Title:

Primary Care Providers; Advanced Practice Registered Nurses;
Doctors; Pharmacists; Preceptors; Income Tax Credit

Description:

Allows advanced practice registered nurses, pharmacists, and physicians to receive income tax credits for acting as preceptors in volunteer-based supervised clinical training rotations provided to eligible students that enable the students to obtain an eligible healthcare professional degree or certificate. Applies to taxable years beginning after 12/31/2018. (CD1)

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