

ACT 43

S.B. NO. 2298

A Bill for an Act Relating to Healthcare Preceptor Tax Credits.

Be It Enacted by the Legislature of the State of Hawaii:

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

The legislature further finds that Hawaii high school students and residents are interested in pursuing careers in the healthcare service industry. However, in-state educational institutions are constrained by the lack of clinical education sites in Hawaii and the limited supply of qualified primary and specialty care preceptors. The legislature recognizes that efforts are currently underway to address these clinical site limitations, including travel support from health professional schools in Hawaii for students and residents who are incurring high

costs for training away from their home island. With out-of-state training having such a high cost, the State must consider expanding in-state healthcare provider education capacity.

The legislature also finds that the development of new clinical preceptors and training sites is increasingly difficult. The cohort of preceptors consists largely of volunteers who share the kuleana of educating the future healthcare workforce. Yet, providers who offer such volunteer-based education assume this responsibility above and beyond their regular patient-care responsibilities, subjecting themselves to preceptor fatigue, especially in busy clinical settings. Developing sufficient clinical training opportunities in areas of high demand requires a sufficient number of appropriately trained preceptors, but the limited availability of preceptors restricts in-state healthcare academic institutions from expanding healthcare provider training. Some states, including Maryland, Georgia, and Colorado, have identified preceptor tax exemptions as a means to increase the supply of health professional preceptors and trainees.

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

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

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

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

(c) The director of taxation:

- (1) Shall prepare any forms that may be necessary to claim a tax credit under this section;
- (2) May require the taxpayer to furnish reasonable information to ascertain the validity of the claim for the tax credit made under this section; and
- (3) May adopt rules pursuant to chapter 91 necessary to effectuate the purposes of this section.

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

- (1) Maintain records of the names, addresses, and license numbers of the taxpayers claiming the credit under this section;
- (2) Certify the number of volunteer-based supervised clinical training rotations each taxpayer conducted by:
 - (A) Verifying that the taxpayer meets the requirements to serve as a preceptor;
 - (B) Verifying the number of hours the taxpayer spent supervising an eligible student in each volunteer-based supervised clinical training rotation;

- (C) Verifying that the eligible student was enrolled in an academic program in Hawaii; and
- (D) Verifying that the taxpayer was uncompensated; and
- (3) Certify the amount of the tax credit for each taxpayer for each taxable year and the cumulative amount of the tax credit.

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

(e) If in any taxable year the annual amount of certified credits for all taxpayers reaches \$1,500,000 in the aggregate, the preceptor credit assurance committee shall immediately discontinue certifying credits and notify the department of taxation. In no instance shall the preceptor credit assurance committee certify a total amount of credits exceeding \$1,500,000 per taxable year. To comply with this restriction, the preceptor credit assurance committee shall certify or deny credits in the order submitted for certification; provided that credits shall not be submitted for certification prior to the supervised clinical training rotation being performed.

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

(g) For the purposes of this section:

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

- (1) Holds either its principal accreditation or a physical location in Hawaii; and
- (2) Provides education to students, of whom more than fifty per cent are residents of Hawaii.

"Advanced practice registered nurse student" means an individual participating in a nationally accredited academic program that is for the education of advanced practice registered nurses and recognized by the state board of nursing pursuant to chapter 457.

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

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

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

"Nationally accredited" means holding an institutional accreditation by name to offer post-secondary medical primary care education. Accreditation for medical students shall be offered by the Liaison Committee on Medical Education or American Osteopathic Association Commission on Osteopathic College

Accreditation. Accreditation for advanced practice registered nurse students shall be offered by the Commission on Collegiate Nursing Education.

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

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

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

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

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

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

- (1) Developing a process ensuring that requests for credit certification are reviewed and verifications are processed no later than thirty days following the close of each calendar year;
- (2) Developing the documentation process for the committee to certify a preceptor for the tax credit; provided that the documentation to be collected shall include:
 - (A) The preceptor's name, address, place of practice, and Hawaii provider license number;
 - (B) Dates and hours of volunteer-based supervised clinical training rotation per eligible student;
 - (C) Attestation that the preceptor is uncompensated for the volunteer-based supervised clinical training rotation; and
 - (D) Other information deemed necessary by the committee.

(b) The committee shall be composed of representatives of:

- (1) The Hawaii/Pacific basin area health education center;
- (2) The center for nursing; and
- (3) Academic programs with eligible students.

(c) Members of the committee shall be immune from civil liability for any official act, decision, or omission performed for the purpose for which the committee was established, except for any acts, decisions, or omissions that constitute gross negligence or wilful misconduct.

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

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

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

SECTION 5. New statutory material is underscored.¹

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

(Approved June 13, 2018.)

Note

1. Edited pursuant to HRS §23G-16.5.