FISCAL IMPACT REPORT

		LAST UPDATED	
SPONSOR	Gonzales/Thompson/Analya/Lundstrom	**ORIGINAL DATE**	02/19/25
SHORT TITLE	Health Care Preceptor Tax Credit	**BILL NUMBER**	House Bill 396
		ANALYST	Graeser

REVENUE*
(dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
PIT	$0	($2,700.0)	($2,700.0)	($2,700.0)	($2,700.0)	Recurring	General Fund

Parentheses ( ) indicate revenue decreases.
*Amounts reflect the most recent analysis of this legislation.

Sources of Information

LFC Files
FIRs for Senate Bill 138 (2020), Senate Bill 62 (2021) and Senate Bill 173 (2022).

Agency Analysis Received From
List all agencies responding.

Agency Analysis was Solicited but Not Received From
Department of Health (DOH)
Burrell College of Osteopathic Medicine (BCOM)
Health Care Authority (HCA)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of House Bill 395

House Bill 395 (HB395) provides a $1,000 personal income tax credit for licensed healthcare professionals on staff at a New Mexico college or university who mentor or function as preceptor to graduate students studying to become healthcare professionals. These mentorships must exceed four weeks in duration and must be unpaid.

Unlike previous versions of this proposal, which were limited to five preceptor tax credits in a tax year, this version is not limited. However, this version requires the preceptor to be unpaid for their mentorship services.

This bill:

- Allows a preceptor employed by any accredited New Mexico institution of higher education, and who has performed a preceptorship of not less than four weeks in New Mexico, to apply for, and use a credit against the taxpayer's tax liability;
- Provides up to $1,000 credit for an unlimited number of preceptorships performed in the taxable year in which the credit is claimed;

- Requires the taxpayer apply to the department on forms and in the manner prescribed by the department. The application shall include a certification made by the institution for which the taxpayer is employed and for which the preceptorship was performed;
- Allows any unused portion of the tax credit to be carried forward until the credit is exhausted;
- Requires the Taxation and Revenue Department (TRD) to include the costs and coverage in the annual tax expenditure report required by 7-1-84 NMSA 1978;
- Defines "eligible professional degree" as a degree or certificate that fulfills a requirement to practice as a medical doctor, osteopathic physician, advanced practice nurse, physician assistant, dentist, pharmacist, psychologist or social worker;
- Defines "preceptor" to mean an individual licensed as a medical doctor, osteopathic physician, advanced practice nurse, physician assistant, dentist, pharmacist, psychologist or social worker; and
- Defines "preceptorship" to mean an uncompensated period of supervised clinical training during which a preceptor provides a program of personalized instruction, training, and supervision to an eligible graduate student to enable the student to obtain an eligible professional degree.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or June 20, 2025, if enacted. The provisions are applicable to tax taxable years beginning on or after January 1, 2025

FISCAL IMPLICATIONS

This bill creates or expands a tax expenditure with a cost that is difficult to determine but likely significant. LFC has serious concerns about the substantial risk to state revenues from tax expenditures and the increase in revenue volatility from erosion of the revenue base. The committee recommends the bill adhere to the LFC tax expenditure policy principles for vetting, targeting, and reporting or action be postponed until the implications can be more fully studied.

The 2022 analysis for SB173, which was limited to five preceptorships and based on graduate enrollment leading to eligible degrees, was estimated to negatively impact the general fund by $2.7 million, although the actual cost will depend on take up. (See "Significant Issues.")

SIGNIFICANT ISSUES

Currently, faculty at University of New Mexico, Health Sciences Center (UNM-HSC), New Mexico State University's college of nursing and Burrell College of Osteopathic Medicine are expected to mentor graduate students and are compensated for this preceptorship as part of their regular salary. One possible interpretation of the provisions of this bill is a change in this practice. If faculty were no longer paid for the preceptorships but were compensated at $1,000 per student mentored through the proposed tax credit, this would, in effect, allow the state to pick up a small part of the costs of a medical education.

This preceptorship proposal was introduced in 2020, 2021, and 2022.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is met with the bill's requirement to include the costs and coverage in the annual Tax Expenditure Report required by 7-1-84 NMSA 1978.

ADMINISTRATIVE IMPLICATIONS

TRD would have to include this tax credit in its annual update effort.

OTHER SUBSTANTIVE ISSUES

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

- **Adequacy**: Revenue should be adequate to fund needed government services.
- **Efficiency**: Tax base should be as broad as possible and avoid excess reliance on one tax.
- **Equity**: Different taxpayers should be treated fairly.
- **Simplicity**: Collection should be simple and easily understood.
- **Accountability**: Preferences should be easy to monitor and evaluate

In addition, staff reviews whether the bill meets principles specific to tax expenditures. Those policies and how this bill addresses those issues:

Tax Expenditure Policy Principle	Met?	Comments
Vetted: The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and general policy parameters.	?	**Previously introduced in 2020, 2021 and 2022.**
Targeted: The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals. Clearly stated purpose Long-term goals Measurable targets	 X X X	Not clear what the purpose of this preceptorship is.
Transparent: The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies.	✓	
Accountable: The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination of effectiveness and efficiency. The tax expenditure is set to expire unless legislative action is taken to review the tax expenditure and extend the expiration date. Public analysis Expiration date	 X X	
Effective: The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth – there are indicators the recipients would not have performed the desired actions "but for" the existence of the tax expenditure. Fulfills stated purpose Passes "but for" test	 X X	No purpose stated nor can one be inferred.
Efficient: The tax expenditure is the most cost-effective way to achieve the desired results.	?	
Key: ✓ Met × Not Met ? Unclear		

LG/rl/SD/hg