

**BILL ANALYSIS AND FISCAL IMPACT REPORT**  
**Taxation and Revenue Department**

**March 5, 2025**

**Bill:** HB-395, as amended by HEC

**Sponsor:** Representatives Anita Gonzales, Elizabeth “Liz” Thompson, Marianna Anaya and Patricia A. Lundstrom

**Short Title:** Health Care Preceptor Tax Credit

**Description:** This bill creates a new \$1,000 tax credit under the Income Tax Act for a licensed medical doctor, osteopathic physician, advanced practice nurse, physician assistant, dentist, pharmacist, psychologist or social worker who serves as a “preceptor”, providing at least four weeks of uncompensated supervised clinical training to an eligible graduate student to enable the student to obtain an eligible professional degree.

The credit may not exceed \$1,000 for any preceptorships performed in a taxable year. The unused portion of the credit may be carried forward until the credit is exhausted.

The *House Education Committee* amendment provides that, in addition to an employee, a preceptor who is a volunteer for an accredited New Mexico institution of higher education and who has performed a preceptorship of not less than four weeks in New Mexico may apply for the credit. The amendment adds to the definition of “eligible professional degree” a degree or certificate that fulfills a requirement to practice as a nurse-midwife.

**Effective Date:** Not specified; 90 days following adjournment (June 20, 2025). The provisions of this act apply to taxable years beginning on or after January 1, 2025.

**Taxation and Revenue Department Analyst:** Sara Grubbs

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2025	FY2026	FY2027	FY2028	FY2029		
--	(\$2,690)	(\$2,690)	(\$2,690)	(\$2,690)	R	General Fund

\* In thousands of dollars. Parentheses ( ) indicate a revenue loss. \*\* Recurring (R) or Non-Recurring (NR).

**Methodology for Estimated Revenue Impact:** The Taxation and Revenue Department (Tax & Rev) gathered graduate enrollment counts from the University of New Mexico (UNM) Health Sciences Center. In the Fall 2024 enrollment reports, there were approximately 1,160 graduate students who met the eligibility requirements for the preceptorship program. From a New Mexico State enrollment report, there were 143 graduate level nurses enrolled in the Fall 2023, the most recent year available. Tax & Rev estimates another 42 graduate level students would be participating in preceptorships programs through other accredited New Mexico institutions.

Tax & Rev assumes there is one preceptor per graduate student and two preceptorship rotations of at least four weeks each year of enrollment, keeping the enrollment count flat<sup>1</sup>. Tax & Rev also assumes all preceptors would be eligible per Section 1(A). At UNM, summer clinical rotations were a minimum of six weeks. The medical professionals participating in preceptorships are assumed to have personal income tax (PIT) liability amounts that can absorb their associated credit amounts (\$1,000 per preceptorship) leaving a minimal amount to be carried over.

<sup>1</sup> Per personal correspondence with University of New Mexico program manager with the College of Nursing, 2/19/2025

**Policy Issues:** Personal income tax (PIT) represents a consistent source of revenue for many states. For New Mexico, PIT is approximately 16 percent of the state’s recurring general fund revenue. While this revenue source is susceptible to economic downturns, it is also positively responsive to economic expansions. New Mexico is one of 41 states, along with the District of Columbia, that impose a broad-based PIT (New Hampshire and Washington do not tax wage and salary income). Like several states, New Mexico computes its income tax based on the federal definition of taxable income and ties to other statutes in the federal tax code. This is referred to as “conformity” to the federal tax code. PIT is an important tax policy tool that has the potential to further both horizontal equity by ensuring the same statutes apply to all taxpayers, and vertical equity, by ensuring the tax burden is based on taxpayers’ ability to pay. By basing this credit on a profession, taxpayers in similar economic circumstances are no longer treated equally.

While tax incentives can support specific industries or promote desired social and economic behaviors, the growing number of such incentives complicate the tax code. Introducing more tax incentives has two main consequences: (1) it creates special treatment and exceptions within the code, leading to increased tax expenditures and a narrower tax base, which negatively impacts the general fund; and (2) it imposes a heavier compliance burden on both taxpayers and Tax & Rev. Increasing complexity and exceptions in the tax code is generally not in line with sound tax policy.

Preceptors are medical doctors, nurses, dentists, physician assistants, pharmacists, psychologists, or social workers. These professions are in high demand and often work well over the average 40-hour week<sup>2</sup>. Becoming a preceptor requires significant personal expense. Preceptorships are primarily unpaid and necessitate hundreds of hours of volunteer work, often incurring financial costs. This tax credit would help defray this cost.

The bill currently offers a \$1,000 tax credit for preceptorships of not less than four weeks. This sets a baseline but does not account for longer periods of service. A preceptor working four weeks receives the same credit as someone working 30 weeks.

The tax deduction does not include a sunset date. Tax and Rev supports sunset dates for policymakers to review the impact of a deduction or other tax incentive before extending it if a sufficient timeframe is allotted for tax incentives to be measured.

**Technical Issues:** In Section 1(B) on page 2, the credit shall not exceed \$1,000. However, the amount is not based on a percentage or a match criteria. If the intent of this bill is to provide a \$1,000 tax credit, Tax & Rev suggests replacing “shall not exceed” with “shall be” on page 2, line 2.

In Section 1(C), page 2, lines 9-12, a New Mexico institution of higher education must provide a certificate to certify the taxpayer, but there is no prescribed method or consistency in the certification process. This lack of standardized criteria could lead to inconsistencies and potential discrepancies in the application of tax credit. Tax & Rev recommends inserting a sentence after the ending sentence of Subsection C, line 12: “The certification must be done in a manner prescribed by the department.” Adding this will allow Tax & Rev to prescribe the certification format for the institution and taxpayer.

**Other Issues:** None.

**Administrative & Compliance Impact:** Tax & Rev will update forms, instructions and publications and make information system changes. Staff training to administer the credit will need to take place. This

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<sup>2</sup> <https://www.statista.com/statistics/1534917/us-physician-working-hours-by-specialty/>  
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implementation will be included in the annual tax year changes.

Tax & Rev’s Administrative Services Division (ASD) will test credit sourcing and perform other systems testing. It is anticipated this work will take approximately 40 hours split between 2 FTE of a pay band 70 and a pay band 80 at a cost of approximately \$2,500. Pay band 70 hours are estimated at time and ½ due to extra hours worked required for implementation.

Implementing this bill will have a moderate impact on Tax & Rev’s Information Technology Division (ITD), requiring approximately 480 hours or 3 months at a cost of \$31,987. This would be implemented as part of the annual tax year changes.

If several bills with similar effective dates become law, there will be a greater impact to ITD, and additional staff workload costs or contract resources may be needed to complete the changes specified by the effective date(s) of each bill.

<b>Estimated Additional Operating Budget Impact*</b>				<b>R or NR**</b>	<b>Fund(s) or Agency Affected</b>
<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>	<b>3 Year Total Cost</b>		
--	\$2.5	--	\$2.5	NR	ASD – Staff Workload
--	\$31.9	--	\$31.9	NR	ITD – Staff workload

\* In thousands of dollars. Parentheses ( ) indicate a cost saving. \*\* Recurring (R) or Non-Recurring (NR).

**Related Bills:** Similar to SB-173 (2022 Regular Session)