



February 10, 2024

SUMMARY OF BILL: Enacts the “Mental Health Preceptor Tax Incentive Program.” Establishes a franchise and excise tax credit for employers per employed preceptor who completes a preceptorship rotation that has a focus on mental health services. Establishes that the maximum credit per 10 rotations is \$8,500 and the taxpayer cannot accrue credits for more than 10 rotations per preceptor in a calendar year. Requires the taxpayer to claim the credit for the tax year in which the preceptorship rotation is completed, certify the preceptor did not receive compensation from any source, and submit supporting documents as prescribed by the Commissioner of the Department of Revenue (DOR). Prohibits the credits from being applied to future or previous tax years. Prohibits the application of credits that exceed the taxpayer’s franchise and excise tax liability. Applies to tax years beginning on or after January 1, 2025.

FISCAL IMPACT:

Decrease State Revenue – \$1,152,500/FY25-26 and Subsequent Years

Assumptions:

- A community-based faculty preceptor includes a physician, advanced practice registered nurse (APRN), physician assistant, psychologist, and psychiatrist whose professional practice is primarily limited to providing mental health services and they must be licensed in Tennessee.
- Preceptors train new staff in medical facilities or partner with medical programs to provide on-site learning/training for students.
- A preceptorship rotation is a period of preceptorship training of one or more medical students, physician assistant students (PA), or APRN students that total 160 hours in the aggregate.
- Preceptorship training is uncompensated, community-based training of a medical student, PA student, or APRN student matriculating in a training program in Tennessee.
- Medical programs partner with preceptors or entities with preceptors for students to be placed in a rotation. Partnership requirements and required completed rotations vary by program and student focus.
- The proposed legislation will allow an employer to accrue a credit for *each* qualifying preceptor who completes a maximum of 10 preceptorship rotations focused in mental health services.

- The proposed legislation establishes two tiers of tax-credits that may be earned:

Per Preceptor Credit Tiers			
Preceptor	Physician	Physician Assitant	APRN
Credits Earned per Rotation			
Rotation 1-3	\$500	\$375	\$375
Rotation 4-10	\$1,000	\$750	\$750
Allowable Maximum Per Calendar Year	\$8,500	\$6,375	\$6,375

- Pursuant to the proposed legislation, one preceptor cannot accrue more than a total of 10 credits; however, an employer may have more than one preceptor completing no more than 10 rotations simultaneously. Therefore, it is unknown the combination in which an employer will claim credits for rotations completed by a PA or APRN and rotations completed by physicians.
- Based on information provided by DOR, a total of 933 taxpayers are estimated to qualify for the credit program.
- In the table provided below, it is estimated how many rotations each taxpayer per tax bracket will complete, the total tax owed, and the total credit deduction:

Tax Range	Rotations	Returns/Taxpayers within range	Total Tax Owed	Total Credit Deduction
= \$100	0	419	\$41,900	\$0
> \$100 and <= \$8,500	1	443	\$590,058	\$149,967
> \$8,500 and <= \$17,000	2	33	\$398,320	\$56,100
> \$17,000 and <= \$25,500	3	9	\$190,091	\$34,425
> \$25,500 and <= \$34,000	4	5	\$136,926	\$34,000
> \$34,000 and <= \$85,000	5 to 10	12	\$664,561	\$260,950
> \$85,000	11	12	\$2,380,797	\$617,100
Total		933	\$4,402,653	\$1,152,542

- This legislation applies to tax years beginning January 1, 2025. Tax credits must be used for the tax year in which the rotations have been completed.
- Taxpayers will not know total eligible credit amounts until rotations have been completed through the entire tax year; therefore, it is assumed that estimated payments made in FY24-25 for tax year 2025 will not be impacted and FY25-26 will be the first year impacted.
- The recurring decrease in state revenue is estimated to be \$1,152,542 in FY25-26 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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