

# Healthcare Provider Preceptor Tax Credit

- In an effort to improve the healthcare worker shortage, Iowa healthcare educational programs need to increase the number of students trained each year.
- Recruitment and retention of practitioners to serve as preceptors is necessary to support the current and additional student in their clinical experience training.
- Providing an annual \$1,000 tax credit is an economic and impactful incentive to engage and maintain healthcare preceptors in Iowa.

## What are the issues?

There is a critical shortage of U.S. healthcare providers. An AAMC study projects that the US will face a physician shortage of between 37,800 to 124,000 physicians by 2034. This number would be even higher if access to health care was more equitable across the country and across populations, increasing the shortage up to an estimated 145,500 physicians.<sup>1</sup> These numbers don't take into consideration the shortages within all other healthcare providers.

Iowa health care systems, organizations and patients are impacted by these shortages, as well. Five of the top 25 job postings categories in Iowa in 2023 were for health care professionals; accounting for almost 6,000 open positions.<sup>2</sup>

Access to training programs will assist in decreasing the shortages. Yet there are issues within the programs that can be barriers to increasing student numbers. Healthcare educational institutions may be unable to increase the number of students enrolled due in part to a shortage of preceptors to provide clinical experiences necessary for student graduation. Preceptors are practicing practitioners who provide individualized clinical instruction, training and supervision for healthcare students to prepare them for practice. The 2020 Association of American Medical Colleges (AAMC) report indicated that 84% of medical school deans were concerned about the number of available preceptor sites.<sup>3</sup> Similar concerns are felt in other healthcare professions.

The number of preceptors available to mentor students directly impacts the number of healthcare students that can be accepted into a healthcare education program and the diversity of experiences current student can receive. Providing practitioners an incentive to participate may encourage new practitioners to begin and current preceptors to continue to train students.

Several states currently provide tax credits or tax deductions to healthcare preceptors: Maryland, Hawaii, Colorado, Georgia and South Carolina. These states allow tax credits for physician, physician assistant, advanced practice registered nurse, licensed practical nurse, pharmacists and nurse practitioner preceptors based on each states' legislation.<sup>4-8</sup> Several states allow up to \$1000 per rotation<sup>4,5,7,8</sup>, while Colorado provides a flat \$1000 tax credit.<sup>6</sup> Each state has specific criteria to be eligible for the tax credits. Tax credits may be limited to preceptors in locations designated as health profession shortage areas, medically underserved areas or populations, and federally or state-designated rural areas.

Iowa State Representative Jacob Bossman introduced a bill to the 2023 legislative session to create a nurse preceptor tax credit. The bill proposed would allow \$1000 tax credit for nurses. This bill was not passed during the session.

## Why is this important?

Iowa's healthcare shortage affects all Iowans, whether it be a patient's ability to get access to necessary care, healthcare systems inability to recruit and retain staff for all necessary services, or the healthcare providers' own mental and physical health when working in stressful, short-staffed clinics and hospitals.

Increasing the number of healthcare students is one avenue to improving these shortages. It is a long-lasting solution. In order for healthcare educational programs to increase the number of students enrolled, institutions must have sufficient educators to support this increase. Educational institutions have struggled to recruit and retain practitioners willing to serve as preceptors.

Preceptors provide a crucial piece of healthcare education in preparing students for practice after graduation. Students to gain crucial hands-on clinical care experience in differing practices and locations. Data shows that students who complete preceptorships in Iowa are more likely to stay and practice in Iowa, as opposed to those who preceptor in another state.

The preceptor tax credit is an incentive for more practitioners to become preceptors, as well as, an incentive to retain the current preceptors. Even as the Iowa tax rate is set to decrease until becoming a flat rate of 4% by 2026, this tax incentive would still be effective. As an example, Colorado currently has a flat tax rate of 4% and continues to successfully provide tax credits as incentive.<sup>6</sup> The law was modified in 2022 to increase the limit of tax credits from 200 to 300 preceptors.

## What should policymakers do?

1. Enact legislation to provide annual \$1,000 tax credits for healthcare providers serving as preceptors for healthcare educational programs.

## Iowa Implications

A preceptor tax credit will directly impact the recruitment and retention of preceptors in Iowa. This will not only provide more opportunities for current healthcare students to complete a preceptorship in Iowa, it will allow for programs to increase the numbers of students to be enrolled. The more students accepted into programs and provided with quality preceptorship experiences within Iowa results in more healthcare providers staying to practice in the state.

## Sources

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