

STRENGTHENING INDIANA'S CLINICAL TRAINING

Exploring Opportunities to Support Clinical Preceptors through Tax Credits

BACKGROUND

Health Workforce Shortage

Health care workforce shortages are impacting Indiana. The state is losing health care talent to burnout and competition from other employment sectors and states. Developing the next generation of Indiana's healthcare workforce is critical to addressing health workforce shortages.

Most healthcare professionals require higher education as well as state licenses or certification. As such, Indiana's colleges and universities are critical to developing the next generation of the healthcare workforce for the state. Colleges and universities depend on clinical training partnerships with healthcare providers, such as hospitals and clinics, to ensure their students develop the clinical skills needed to graduate and enter the workforce.

Licensed health professionals practicing in provider organizations and other community-based settings contribute to clinical training by serving as clinical preceptors. Clinical preceptors are practicing health professionals that teach students clinical skills to help prepare them for a career in the medical field. Healthcare workforce development depends upon the availability of clinical preceptors.

Indiana colleges and university report shortages of clinical preceptors are threatening their ability to expand the workforce. Addressing clinical preceptor shortages must be a top priority for the state. Strategies are needed to recruit and retain clinical preceptors in the state of Indiana. State income tax credit programs are a strategy employed by some states to support recruitment and retention of clinical preceptors.¹

State Income Tax Credits as a Solution

A tax credit reduces the income tax owed by taxpayers on a dollar-for-dollar basis.² States design state income tax credit programs to support strategic health workforce goals, such as recruiting and retaining clinical preceptors. States' tax credit strategy development includes the following:

CONTINUED ON NEXT PAGE

¹ National Governors Association: State Health Workforce Toolkit. Available at: <https://www.nga.org/state-health-workforce-toolkit/training-recruitment-retention/#workforceRetention>

² Tax credits for individuals: What they mean and how they can help refunds. Available at: <https://www.irs.gov/newsroom/tax-credits-for-individuals-what-they-mean-and-how-they-can-help-refunds>

CONTINUED FROM PREVIOUS PAGE

- Eligibility requirements, including types of professionals (i.e. license types), students (i.e. in state, undergraduate, graduate, residency), settings (i.e. rural), and preceptorships criteria (i.e. length of rotations, number of students, etc.)
- Eligibility determination, including the entity (state government or other) and processes responsible for verifying status and certifying eligibility.
- Credit Administration, including the entity (typically Department of Revenue) that oversees administration of credit on state income tax.
- Funding source, including state general fund or other sources such as licensure fees or state-funded appropriations to support program costs.
- Award limits, which are set by state statutes and vary by profession, typically ranging from \$1,000 to \$5,000 per year per individual. State award limits for these programs range from \$100,000 to \$1,500,000.

Purpose of this Brief

This brief explores the use of tax credits as a policy mechanism to strengthen the health professional clinical training infrastructure. Case studies were conducted on two states that had publicly available evaluations on their tax credit programs. Examining these state examples and evaluating program outcomes, we were able to identify future considerations that aim to inform future workforce policy development in Indiana.

CASE STUDIES

Overview and Outcomes of Preceptor Tax Credit Programs: Two State Case Studies

Evaluation of the outcomes of policies, such as state tax credits, is essential for making informed decisions and ensuring that policies are beneficial and relevant. Two state strategies are summarized in this document. Colorado and Hawai'i were found to have the most data publicly available for review and evaluation of their tax credit programs. Because of this, Colorado and Hawai'i are included in the case studies within this brief.



Colorado Rural and Frontier Healthcare Preceptor Tax Credit Program

ABOUT THE PROGRAM

PROGRAM TITLE: Rural and Frontier Healthcare Preceptor Tax Credit Program

DATE OF INITIAL PROGRAM ESTABLISHMENT: 2016

PROGRAM ESTABLISHMENT MECHANISM: Statute ([updated in 2022](#))

ELIGIBLE PROFESSIONS: Many profession types currently qualify for the tax credit.³ Preceptors must be providing uncompensated teaching experiences in primary healthcare, practicing “in the context of family and community” within a rural setting. The state defers to the federal Office of Rural Health Policy definition for “rural.” Preceptors

CONTINUED ON NEXT PAGE



CONTINUED FROM PREVIOUS PAGE

must provide clinical teaching to students enrolled in Colorado post-secondary institutions.

ELIGIBILITY DETERMINATION: In order to be eligible for the tax credit, the taxpayer (preceptor) must submit to the Department of Revenue (DOR) a DOR-issued [certification form](#) that contains taxpayer details and is signed by the teaching institution (ex. Hospital, university, clinic, etc.) or by the local Area Health Education Center program office. The DOR approves preceptors chronologically up to the annual maximum. If a preceptor is approved, the preceptor must claim the Preceptor Tax Credit on their individual income tax return.

COST DETAILS

FUNDING SOURCE/IMPACT: State general fund

INDIVIDUAL AWARD DETAILS: Preceptors receive a tax credit of \$1,000 for at least 4 weeks (or 20 business days) of preceptorship experience in a rural area of the state. Each preceptor may only claim one Preceptor Credit per tax year.

STATE AWARD LIMIT: As of 2024, the program is currently capped at \$300,000, offering credits for up to 300 unique preceptors.

OUTCOME EVALUATION FINDINGS

Evaluations of this program were performed by the state auditor in 2017 and 2023 to determine the impact of the policy on its original intent. Although the program’s authorizing statute did not outline evaluation measures, the Colorado Office of the State Auditor put forth outcome measures within the 2017 and 2023 Tax Expenditure Evaluation Reports.

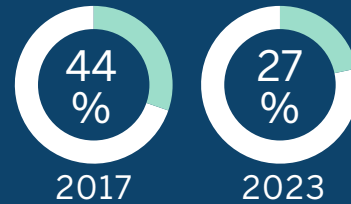
These two measures are outlined on the next page.

CONTINUED ON NEXT PAGE

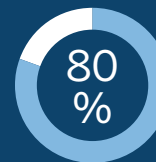
LESSONS LEARNED FROM COLORADO’S PROGRAM

- The program has been active for six years, but less than one-third of the tax credits are claimed annually.

PERCENT OF ELIGIBLE TAXPAYERS CLAIMING THE CREDIT



- Most preceptor tax credit claimants were already serving as preceptors before the credit was established, suggesting the program may not be effective as a preceptor recruitment mechanism.



PERCENT OF SURVEY RESPONDENTS WHO WERE ALREADY PRECEPTING BEFORE THEY RECEIVED THE TAX CREDIT

- Issues were identified in the preceptor credit approval process, which resulted in 14 credits that were awarded (12 of which were claimed) to preceptors that did not meet statutory qualifications.

COLORADO PROGRAM DETAILS IN BRIEF

\$1,000
TAX CREDIT AMOUNT

4 weeks
PRECEPTOR EXPERIENCE REQUIRED

\$300,000
STATE AWARD LIMIT

Once per year
LIMIT PER PERSON

3 Doctor of Medicine, Doctor of Osteopathic Medicine, Advanced Practice Nurse, Physician Assistant, Doctor of Dental Surgery, Doctor of Dental Medicine, Registered Nurse, Registered Dental Hygienist, Pharmacist, Licensed Clinical or Counseling Psychologist, Licensed Clinical Social Worker, Licensed Professional Counselor, Licensed Marriage and Family Therapist, Psychiatric Nurse Specialist, Licensed Addiction Counselor, Certified Addiction Counselor Working in an Outpatient Clinical Setting

Table 1. Colorado’s [2017 Evaluation](#) of the Rural and Frontier Healthcare Preceptor Tax Credit Program

STATE AUDITOR’S OFFICE- DETERMINED OUTCOME MEASURE	EVALUATION FINDING
<p>The extent to which eligible healthcare providers working in rural and frontier areas have been approved by the Department of Revenue to claim the credit.</p>	<ul style="list-style-type: none"> ■ Most of the tax credits went unused. “Although statute authorizes up to 200 Preceptor Credits to be claimed each tax year, the Department of Revenue approved only 87 preceptors (44 percent of the credits available) to claim the credit in Tax Year 2017.” ■ The tax credit may not have been an effective mechanism to recruit new preceptors. A survey issued to approved preceptors found that many of the preceptors (25/31 survey respondents) shared that they were already precepting prior to establishment of the tax credit program. ■ Only approximately 20% of the approved preceptor credits went toward frontier areas. Although the policy intended to target frontier areas, this represented only a small proportion of the preceptor credit requests received by the DOR. ■ There were errors in the approval process. Out of those 87 preceptors/credits that were initially approved, 14 were identified to be issued erroneously to individuals that did not qualify based on the location or student eligibility.
<p>The extent to which the Preceptor Credit provides a sufficient financial incentive for preceptors in rural and frontier areas of the state</p>	<ul style="list-style-type: none"> ■ Awarded preceptors were generally pleased with the amount, as they saw it as an incentive, not as wage replacement. “We found [via survey] that the credit amount may be a sufficient financial incentive for many preceptors, though the relative incentive varies based on the extra time they spend instructing students and their typical hourly wage.”

After the 2017 evaluation, the following legislative changes were made to the program to broaden qualifying language for preceptor professions, preceptorships, and targeted geographic areas:

- Clarified definition of preceptorship duration to include specific number of business days
- Expanded definition of preceptor to include additional profession types
- Increased appropriation and expanded the number of possible preceptor tax credits from 200 to 300
- Targeted the incentive to only those preceptors mentoring in-state students
- Clarified definition of rural to align with federal definitions

Despite these changes, a repeat evaluation from the State Auditor’s Office in 2023 reached similar conclusions to the 2017 report.



Table 2. Colorado’s [2023 Evaluation](#) of the Rural & Frontier Healthcare Preceptor Tax Credit Program

STATE AUDITOR’S OFFICE- DETERMINED OUTCOME MEASURE	EVALUATION FINDING
<p>The extent to which the credit encouraged eligible preceptors to offer preceptorships to students enrolled at Colorado institutions of higher education.</p>	<ul style="list-style-type: none"> ■ Despite expansion to include additional eligible professions and rural settings, most of the tax credits still went unused. Only 92 taxpayers were approved and only 83 taxpayers claimed the credit out of the 300 possible credits. Therefore, “the Preceptor Credit has not encouraged a substantial number of providers in rural and frontier areas of the state to become preceptors.” ■ Less than 2 percent of Colorado’s eligible physician, dentist and advanced practice nurse providers claimed the tax credit. ■ A lack of awareness of the program may be contributing to low tax credit usage. Educational institutions may not have been aware of the preceptor program. Similarly, active providers/ professionals may not be aware of this program.
<p>The extent to which the credit provides tax relief to preceptors in rural and frontier areas of the state.</p>	<ul style="list-style-type: none"> ■ Despite preceptors being satisfied with the tax credit amount in the 2017 evaluation report, the calculated amount of the tax relief provided by this program may be less than the hourly wage of many eligible practitioners, and the impact of this credit may vary based on the type of preceptorship offered. “The extent of the tax relief provided by the credit varies depending on how many extra hours per day a provider spends training students and the type of provider the preceptor is.” The credit equates to a \$50 per hour monetary benefit if a preceptor spends 20 hours per week for 4 weeks, which is generally less than the hourly wage of many eligible practitioners. ■ The tax credit is seen by educational representatives as a helpful incentive to support clinical placements for Colorado students, by providing a competitive advantage to public programs over out-of-state programs for the same pool of perspective preceptors.



Hawai'i Preceptor Tax Credit Program

ABOUT THE PROGRAM

PROGRAM TITLE: Hawai'i Preceptor Tax Credit Program

DATE OF INITIAL PROGRAM ESTABLISHMENT: 2019

PROGRAM ESTABLISHMENT MECHANISM: Statute (2018)

ELIGIBLE PROFESSIONS: Advanced Practice Registered Nurse (APRN), Physicians (MD, DO), and Registered Pharmacists (PH)

ELIGIBILITY DETERMINATION: Preceptors must have been uncompensated for preceptorship, licensed to practice in Hawai'i, engaged in primary care practice, and must teach students in an in-state education program. To qualify, preceptors must [register](#) and complete a self-attestation for the tax credit program.

PROCESS AND ADMINISTRATION: A statutorily-established [Preceptor Credit Assurance Committee](#) (PCAC) in the Hawai'i Department of Health is responsible for verifying registered preceptors by reviewing [preceptor-submitted information](#) on licensing, individual rotation details (site, dates, hours). An [Academic Subcommittee](#) of the PCAC also maintains lists of preceptors sourced from the Hawai'i educational institutions that participate on the Subcommittee. The broader list is used for outreach to providers who have not formally registered for the Preceptor Tax Credit. After a provider registers, the PCAC reviews preceptor qualifications, makes determinations of qualified preceptors and tax credit amount, and issues a certificate to preceptor taxpayers notifying them of the tax credit amount. The Department of Revenue develops the form for tax credit claims, may audit the taxpayer, and processes the claim.

COST DETAILS

FUNDING SOURCE/IMPACT: State general fund

INDIVIDUAL AWARD DETAILS: Preceptors receive a tax credit of \$1,000 per rotation (80 hours of clinical training), up to \$5,000 (five credits) per unique individual.

STATE AWARD LIMIT: As of 2024, the program is currently capped at \$1,500,000, which translates to provide credits for up to 1,500 unique preceptors supporting one rotation (or 300 unique preceptors providing 5 rotations).

HAWAI'I PROGRAM DETAILS IN BRIEF

\$1,000

**TAX CREDIT
AMOUNT**

80 hours

**PRECEPTOR
EXPERIENCE
REQUIRED**

\$1.5 million

**STATE AWARD
LIMIT**

Five per year

LIMIT PER PERSON



OUTCOME EVALUATION FINDINGS

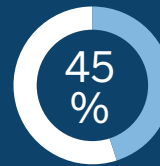
An [evaluation of the first five years of the program](#) was performed by the PCAC in 2024. Cumulatively, the program has awarded \$2,657,000 from 2019-2023, which corresponds to 2,657 tax awards to 1,243 unique preceptors. Physicians were the largest awarded group, representing 71% of all tax credits. Of the known preceptors in 2023 (n=1,012), only 310 (30.6%) met the program qualifications, registered for tax credit consideration, and were awarded. Many of the remaining preceptors **1)** registered but had no clinical rotations (50.3%), **2)** had rotations but did not qualify due to insufficient number of clinical hours or not meeting other statutory requirements (35.8%), or **3)** had clinical rotations reported by academic institutions but did not register to be considered for the tax credit (13.9%). Overall, the program continues to under-distribute the available tax credits with just 676 credits of the available 1,500 credits issued in 2023. Although the specific reasons for this lack of uptake are unknown, it may suggest **1)** the established criteria may be too limited to recognize all uncompensated teaching contributions (due to minimum hour rotation standards, setting, provider type, or specialty), **2)** the need for additional outreach/messaging about the program, or **3)** the low value providers may place on this policy.

Within the 2023 evaluation, the following changes were recommended to grow the number of registered preceptors, overall number of preceptors engaging in teaching, and the number of preceptors receiving tax credits:

- Expanding the statutory criteria for tax credit qualification to remove primary care focus and expand the license types of preceptors that qualify.
- Providing additional administrative support and information technology infrastructure for successful program administration.

LESSONS LEARNED FROM HAWAII'S PROGRAM

- The program has been active for five years, but less than half of the tax credits are claimed annually.



PERCENT OF
AVAILABLE TAX
CREDITS CLAIMED
IN 2023

- Lack of participation in the program could be due to criteria being too limited, lack of awareness of the program, or the perception of the program being low value to preceptors
- Future efforts will focus on expanding criteria to remove the exclusive primary care focus and provide additional administrative support for the program.

CONSIDERATIONS

History of Tax Credits in Indiana

As of December 2024, there were no active clinical preceptor tax credit programs in the state of Indiana. However, there have been prior attempts to establish such incentives. During the 2023 Indiana legislative session, [House Bill 1598](#) proposed the establishment of a state income tax credit for nursing clinical preceptors. The bill proposed a \$1,000 tax credit for nurses who served as preceptors during a taxable year. The bill did not move forward after first reading in the House of Representatives. Indiana stakeholders continue to be interested in tax credits as a potential strategy to support recruitment and retention of clinical preceptors.

Considerations

CLEARLY DEFINED PROGRAM GOALS: Determining the primary goal for a state-level clinical preceptor incentive program is a necessary first step. The incentive program should be designed to maximize impact toward the goal while minimizing burden to the state and recipient. Metrics should be established as part of program design and enable the state to monitor outcomes and processes.

EVIDENCE LACKING FOR IMPACT ON PRECEPTOR RECRUITMENT: Evaluation findings from Colorado and Hawai'i suggest that while tax credits may serve as a retention incentive for professionals already serving as clinical preceptors, there is no evidence that they have helped either state develop new clinical preceptor capacity. In fact, tax credit program participation fell behind tax credit availability in both states. Even after program expansion to include additional professions and increased appropriations, program uptake among preceptors lagged expected engagement.

ELIGIBILITY VERSUS ADMINISTRATION: Tax credit programs generally involve at least two steps: eligibility determination and credit administration. Eligibility determination typically refers to manual verification and certification of an individual qualifying status for the tax credit. Eligibility determination requires staffing and resources and may be completed by either a state agency or state designated organization with subject matter expertise. Ensuring compliance of eligibility determination is critical to achieving goals and avoiding recoupment proceedings. Colorado's program audit found several instances where tax credits were approved and awarded to individuals that did not qualify. The Department of Revenue would be responsible for administration of the tax credits.

DETERMINING ELIGIBILITY CRITERIA: Statute defines what types of professionals would qualify for the tax credit. Below are considerations for each eligibility component:

- *Qualifying Preceptors:* The types of professionals (i.e. license types) that qualify as preceptors should be defined in statute. The reference should also include only those who are providing uncompensated precepting experiences.
- *Qualifying Students:* An approach could be designed to target only those preceptors mentoring Indiana students (thereby emphasizing priority for clinical training opportunities for Indiana-trained professionals).
- *Qualifying Settings:* The approach could target those preceptors working in rural or community-based settings.
- *Qualifying Preceptorships:* Across the various health professions training programs, preceptorships vary in length and may not be consecutive. To maximize qualification while ensuring the program meets intended objectives, the definition of preceptorship should accommodate various health professions schedules and allow for non-consecutive dates.

AWARD LIMITS: The amount should be sufficient to encourage recruitment or retention of these roles. Most states average \$1,000 per rotation, with an established per person and per year state cap. Findings from Colorado and

CONTINUED ON NEXT PAGE



CONTINUED FROM PREVIOUS PAGE

Hawai'i suggest that \$1,000 per year or per rotation (up to a \$5,000 cap) were not effective at recruiting new preceptors. Additionally, the fact that neither state reached their award amount suggests that this incentive amount may not be sufficient to encourage program participation. Georgia offers different amounts for specific professions, but no public evaluation of this program exists to determine whether this strategy is successful.






COST SOURCE: In most states, the tax credit is sourced from the state general fund. However, there may be alternative, creative approaches to offset the impact to the state budget (such as increasing licensing fees, hospital assessments, etc.).

Additional Factors:

- **TAX CREDIT PROCESSING:** In many states, the associated bills' fiscal notes outlined that the impact to the Department of Revenue was considered minimal. Efforts associated with the Department of Revenue's role in processing tax credits were determined to be able to be accommodated within the agency's overall financing. However, this must be explored and confirmed to ensure successful execution.
- **ADMINISTRATIVE BARRIERS:** Other states experienced little or slow uptake in preceptor use of the tax credits, possibly partially attributable to lack of awareness and/or additional administrative burden associated with obtaining the credit. Efforts should be made to share information about the program to increase provider awareness and maximize reach of the initiative. This could be done through strategic partnerships with employers, professional associations, educators, and licensing boards. Messaging could be strengthened through the development of marketing materials. As it relates to administrative processes, electronic mechanisms for tax credit application and hour/rotation reporting could ease the burden on preceptors. Additionally, providing funding for administrative program support would be beneficial.
- **EARLY EVALUATION:** A planned evaluation of the program would identify early outcomes and/or opportunities for enhancement. Collecting real time data on participation in the program will allow underutilization to be flagged and adjusted early in the program. Data from initial years of the program can be used to inform future legislative priorities. Program evaluation could be incorporated within the authorizing statute and supporting funds could be accounted for in the fiscal estimate. An evaluation could be required as a condition of sunset or program continuation.

APPENDIX

Table 3. State Examples

STATE	NAME	ELIGIBILITY DETERMINATION ENTITY	ELIGIBLE PROFESSIONS	INDIVIDUAL AWARD LIMIT	STATE AWARD LIMIT	COST SOURCE
	Rural and Frontier Healthcare Preceptor Tax Credit Program	Department of Revenue	Physicians, advanced practice registered nurses, physician assistants, dentist, registered nurses, psychologists, and more. Complete list here	\$1,000 per year	\$300,000	General Fund
	Preceptor Tax Incentive Program	AHEC	Physicians, advanced practice registered nurses, physician assistants	PHYSICIANS: Up to \$8,500 per year NURSE PRACTITIONERS OR PHYSICIAN ASSISTANTS: Up to \$6,375 per year	Unclear	General Fund
	Health Preceptor Tax Credit	Department of Health, Preceptor Credit Assurance Committee	Primary care-focused physicians, advanced practice registered nurses, pharmacists	\$1,000 per rotation up to \$5,000 a year	\$1,500,000	General Fund
	The Income Tax Credit for Preceptors in Areas with Health Care Workforce Shortages Programs	Department of Health: Office of Population Health Improvement	Physicians, physician assistants, advanced practice registered nurses, registered nurses, licensed practical nurses	\$1,000 per rotation up to \$10,000 a year	\$100,000	Licensing board fees and general fund
	Community-Based Faculty Preceptor Tax Credit	Department of Health and Senior Services	Physicians or physician assistants	\$1,000 per rotation up to \$3,000 per year	\$200,000	Licensing board fees; <i>Note: Bill accompanied a \$7 increase in licensing fee for physicians and \$3 increase for physician assistants to offset revenue loss</i>

