

PHYSICIAN PRECEPTOR TAX CREDITS

AAFP Position

The American Academy of Family Physicians (AAFP) supports training for students that emphasizes high-quality, continuous, compassionate, and coordinated care through robust family medicine [preceptorship](#) programs. Evidence shows that early and consistent mentorship of medical students by preceptors increases the likelihood of these students choosing family medicine as a career. The AAFP will continue to advocate for students, preceptors, and institutions so they can create and maintain successful preceptorships.

The Role of Preceptors in Clinical Training

The purpose of preceptors is to provide a one-on-one relationship with a student to help the student develop the needed clinical skills and practical experience working with patients to better understand the diversity within the patient population and treatment settings. Preceptors are usually not members of a school or residency program's faculty but are often practicing clinicians at clinical sites or in some cases, private offices, which are often the most valuable type of preceptorship.

These arrangements provide students with necessary experience and challenge preceptors to keep up to date with current medical trends. However, many preceptors are concerned about increased time commitments from teaching that takes them away from their patients, leading to lower productivity in their role as physicians.

The Shortage of Primary Care Physician Preceptors

The current compensation model for primary care physicians does not include reimbursement for precepting and teaching students, even though clinical training relies heavily on the concept. Thus, the supply of preceptors has been shrinking as some are dropping out of the roles and schools are unable to offer enough incentive for preceptors to stay. A 2016 Health Resources and Services Administration (HRSA) study on preceptors in North Carolina found that while most schools reported satisfaction with their current preceptors, two-thirds reported preceptors dropping out that year.¹ Preceptors deserve both professional and financial recognition for their precepting duties as they are fulfilling an important role.

The Council of Academic Family Medicine's Educational Research Alliance also conducted a [2016 survey](#) of U.S. and Canadian family medicine clerkship directors, which indicated difficulty among clerkship directors in sustaining their preceptorship programs. Among the 141 respondents, approximately 31 percent found it "somewhat difficult", 35 percent found it "difficult", and 27 percent found it "very difficult" to find family medicine sites for their students.

Preceptor Tax Credit State Legislation

Tax credits and tax deductions are relatively new methods of recognizing preceptors for the time and effort they put in to maintain the integrity of the primary care workforce. A tax credit is subtracted from the amount of tax an individual owes while a tax deduction is subtracted from an individual's income

¹ Newton WP. (2016). "Community precepting: Demand, supply and the impact of the emerging precepting crisis." U.S. Health Resources and Services Administration. Web.

AAFP Headquarters

11400 Tomahawk Creek Pkwy.
Leawood, KS 66211-2680
800.274.2237 • 913.906.6000
fp@aafp.org

AAFP Washington Office

1133 Connecticut Avenue, NW, Ste. 1100
Washington, DC 20036-1011
202.232.9033 • Fax: 202.232.9044
capitol@aafp.org

before that individual calculates the amount of tax owed. These tax incentives are a way to incentivize new physicians to serve as preceptors in the medical school and residency processes.

Five states (CO, GA, HI, MD, SC) have passed legislation endorsing preceptor tax credits. In 2014, Georgia became the first state to enact [legislation](#) establishing a \$1,000 tax deduction for a maximum of ten preceptorships; this was changed to a tax credit in 2019 and builds on previous efforts to increase the rural physician workforce across the state. The chart below outlines the similarities and differences between states' tax credit laws:

State	One credit amount	Limits number of preceptorships subject to credit?	Notes
CO	\$1,000	1	Limited to 200 preceptors statewide in rural/frontier areas
GA	\$500/1,000	10	\$500 credit for first three preceptorships, \$1,000 for four-ten
HI	\$1,000	5	
MD	\$1000	10	Limited to health care workforce shortage areas
SC	See below		Minimum two preceptorships

South Carolina's preceptor tax credit structure is unique. If at least 50 percent of the physician's practice consists of a combined total of Medicaid insured, Medicare insured, and self-pay patients, then the credit is equal to \$1,000 for each rotation served with a \$4,000 annual limit. If at least 30 percent of the physician's practice consists of the same combined total, then the credit is equal to \$750 per rotation with a \$3,000 annual limit. If less than 30 percent of the physician's practice consists of the same combined total, no credit is given. If physicians earn the maximum credit amount and serve additional rotations that would have qualified for the credit, they may claim a tax deduction.

Updated: February 2020