

Physician Preceptor Tax Incentives



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. The AAFP will continue to advocate for students, preceptors, and institutions so they can create and maintain successful preceptorships.



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 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.

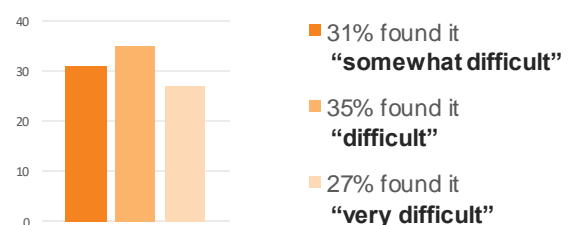
However, many preceptors are concerned about increased time commitments from teaching that takes them away from their patients, leading to lower productivity in their role as physicians.

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.

141 respondents were asked how difficult it was to find family medicine sites for their students.



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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 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.

8 states

have passed legislation endorsing preceptor tax incentives:
Alabama, Colorado, Georgia, Hawaii, Maryland, Missouri, Ohio, and South Carolina



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. Physicians in Georgia can earn a total of **\$8,500** tax credits each calendar year. Credits are accrued by providing a rotation (160 hours of training per credit) with a maximum of 10 possible credits earned. The first three rotations are rewarded with a **\$500** tax credit (for each rotation).

Examples of state preceptor tax incentive legislation or policy are below:



Alabama [SB186](#)
Colorado [HB22-1005](#) (2022, reauthorization)
Georgia [HB 308](#) (2023, sunset extension)
Hawaii [SB 2298](#) (2018)
Maryland [SB 0411](#) (2016)

Missouri [SB 801](#) (2022)
Ohio as part of its *Ohio Primary Care Workforce Initiative*, eligible FQHCs can earn up to an annual cap of \$50,000 for precepting students
South Carolina [S 314](#) (2020)



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.

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