

Testimony in Favor of SB 178  
Senate Committee on Health Care  
February 14, 2017  
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Chair Monnes Anderson and Members of the Committee:

The Rural Practitioner Tax Credit was created by the Legislature in 1989, and began with the 1990 tax year. It is a credit of up to \$5,000 against personal income taxes for health care professionals who practice in rural Oregon. It is administered by the Oregon Office of Rural Health; we receive applications and determine eligibility, then pass those names on to the Department of Revenue. Eligible professions are physicians, physician assistants, nurse practitioners, certified registered nurse anesthetists, podiatrists and dentists. Eligibility requirements differ from one profession to another, but all must practice in rural Oregon at least half time. This tax credit is one of few tools available to rural communities to attract and retain health care professionals.

The Oregon Office of Rural Health, along with the Oregon Rural Health Association, polled all 2,067 recipients of the tax credit in 2012 to determine its value to them. More than half responded to the survey. Key findings include:

- 52.4% reported that the tax credit was *very important* in their initial decision to practice in rural Oregon. An additional 33.9% said it was *important*.
- 68.9% reported that the tax credit is a *very important* factor in the decision to remain in practice in rural Oregon. An additional 25.4% said it is *important*.
- 65.1% felt the credit is more valuable in *retention* than recruitment of providers in their community. 19.3% felt the opposite.
- When asked “if the tax credit was eliminated, how would it impact your decision to continue in rural Oregon practice?”
  - 37.3% said it would make them consider leaving
  - 32% said they would begin looking for other opportunities
  - 8.4% said they would leave their community as soon as possible
- In response to an open-ended question asking for feedback on the tax credit, more than a third responded.

- The overwhelming majority reiterated the value of the credit in recruiting to and/or retaining providers in rural Oregon.
- Many mentioned that it lessens an urban/rural pay differential.

The 2015 Oregon Legislature made two major changes to the Provider Tax Credit that began with the 2016 tax year.

#### Change #1

There are now tiers that dictate the maximum possible tax credit amount. Those tiers are based upon the location of the practice site:

- 10-20 miles from the centroid of a community with a population of 40,000 or more = \$3,000
- 20-50 miles from the centroid of a community with a population of 40,000 or more = \$4,000
- 50+ miles from the centroid of a community with a population of 40,000 or more = \$5,000
- *If an eligible practitioner meets the criteria of more than one tier, the maximum possible credit would be that of the higher tier.*

#### Change #2

**All** eligible practitioners (previously just MDs, DOs, and PAs) must attest to being willing throughout the tax year to serve patients with Medicare or Medicaid coverage. The practitioner must accept patients insured by Medicare or Medicaid until his/her patient panel reaches a threshold of 20 percent Medicare and 15 percent Medicaid, or the same percentage as in the county population if that percentage is less.

We do not yet know the impact of these changes on the program as providers are currently applying for the credit as part of their 2016 taxes.

The Office of Rural Health encourages your support for SB 178. This program is important in our efforts to recruit and more importantly retain providers in our rural communities.







