

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website ([www.nmlegis.gov](http://www.nmlegis.gov)).

## FISCAL IMPACT REPORT

ORIGINAL DATE 1/26/22

SPONSOR Cadena LAST UPDATED 2/3/22 HB 82/aHTRC

SHORT TITLE Dialysis Facility Gross Receipts SB \_\_\_\_\_

ANALYST Graeser

### REVENUE (dollars in thousands)

| Estimated Revenue |      |      |             |             | Recurring or<br>Nonrecurring | Fund<br>Affected               |
|-------------------|------|------|-------------|-------------|------------------------------|--------------------------------|
| FY22              | FY23 | FY24 | FY25        | FY26        |                              |                                |
|                   |      |      | (\$1,500.0) | (\$1,600.0) | Recurring                    | General Fund                   |
|                   |      |      | (\$1,000.0) | (\$1,050.0) | Recurring                    | Counties and<br>Municipalities |

Parenthesis ( ) indicate revenue decreases

Section 1 of this bill amending 7-9-77.1 NMSA 1978 conflicts with section 1 of SB138 “Medical & Health Care Gross Receipts.”

### SOURCES OF INFORMATION

LFC Files

Response Received from  
Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of HTRC Amendment

HTRC amendment establishes a new delayed repeal of July 1, 2034 and removes the instruction to make this deduction permanent.

#### Synopsis of Original Bill

House Bill 82 makes the gross receipts deduction of 7-9-77.1 NMSA 1978 for dialysis permanent and explicitly define "dialysis facility" for the deduction from receipts of a health care practitioner from payments by the United States government and includes a facility that provides outpatient maintenance dialysis services or home dialysis training and support services, and a facility considered by the federal centers for Medicare and Medicaid services to be an independent or hospital-based facility that includes a self-care dialysis unit that furnishes only self-dialysis services. These explicit definitions supplant a reference to the Code of Federal Regulations (CFR).

The effective date of this bill is July 1, 2022.

## **FISCAL IMPLICATIONS**

The HTRC amendment establishing a July 1, 2034 delayed repeal has no fiscal impacts.

This bill narrows the gross receipts tax (GRT) base. Many of the efforts over the last few years to reform New Mexico's taxes focused on broadening the GRT base and lowering the rates. Narrowing the base leads to continually rising GRT rates, increasing volatility in the state's largest general fund revenue source. Higher rates compound tax pyramiding issues and force consumers and businesses to pay higher taxes on all other purchases without an exemption, deduction, or credit.

Although the dialysis services GRT deduction is required to be separately reported, TRD has not included this deduction in its list of tax expenditures.

TRD notes that "...the legislation extends an existing tax expenditure for dialysis health care services scheduled to phase-out in FY25. Historical data from the respective portion of the deduction specific to dialysis centers and an inflation rate are applied to the estimate. The fiscal impact of the expansion of home and out-patient services for dialysis is indeterminate. The fiscal impact above represents current dialysis services covered under the deduction."

On review, LFC staff determined that the definition did not expand the coverage of the deduction but simply supplanted a reference to the CFR with an explicit definition. This had no fiscal implications.

## **SIGNIFICANT ISSUES**

LFC staff have edited TRD policy analysis comments to accommodate the information that the definitions of the bill did not expand the coverage of the deduction.

TRD notes that, "...Deductions reduce the tax base, and may result in a reduction in government services, an increase in taxes in other areas, or both."

## **PERFORMANCE IMPLICATIONS**

The LFC tax policy of accountability is not met since TRD is required in the bill to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking the deduction and other information to determine whether the deduction is meeting its purpose, but TRD has not publicly reported these utilization data.

## **ADMINISTRATIVE IMPLICATIONS**

TRD will update forms, instructions, and associated publications. These updates will be incorporated into annual tax program revisions with no budget impact.

**CONFLICTS**

Section 1 of this bill amending 7-9-77.1 NMSA 1978 conflicts with section 1 of SB138 “Medical & Health Care Gross Receipts.”

LG/rl/acv/al