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F I S C A L I M P A C T R E P O R T

SPONSOR:	Stell	DATE TYPED:	02/08/00	HB	318
SHORT TITLE:	Tax Credit for Certain Hospitals			SB	
				ANALYST:	Eaton

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	**FY01**			
	$ (2,510.0)		Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to SB76, SB137

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

New Mexico Health Policy Commission

Department of Health

SUMMARY

Synopsis of Bill

There are currently 50 hospitals in New Mexico, 33 general and 17 specialty facilities. Of these, 8 general and 9 specialty are for-profit.

This bill almost zeros out the state portion of gross receipts tax on general and specialty, for-profit hospitals in the state. Pursuant to current statute, these hospitals may deduct receipts from Medicaid tangible personal property (but not services), other similar receipts from resale of tangible personal property, receipts from sale of prescription drugs, and finally, 50% of the receipts not otherwise deducted. This bill is similar in state fiscal impact to making 100% of the remaining receipts deductible. The difference is this bill only allows a credit of the net state gross receipts tax from municipal locations on the amount remaining after all deductions. There is a small amount of net tax still imposed on the few hospitals (5% of the total receipts) located in non-municipal areas. The point is to allow local-option taxes to be imposed and collected.

FISCAL IMPLICATIONS

The estimated impact would reduce the general fund by $2,510.0 (recurring).

Of the total $745M in estimated total receipts from hospitals and other health facilities, about 29% is attributable to general and specialty hospitals. This estimate is obtained from a critical analysis of aggregate data, not from detailed inspection of tax filings or from surveys. Thus, the numbers may have more than the usual amount of uncertainty. After all the deductions allowed hospitals, the tax base is about $84 million. Note though that the average, overall deductions ratio for these entities is about 74%. Only about 26% of receipts are taxable. The intent implies the entire amount of the 3.275% credit applied to this base is taken against the state residual amount of gross receipts tax.

ADMINISTRATIVE IMPLICATIONS

The Taxation and Revenue Department indicate that this is a difficult and time-consuming proposal, both for taxpayers and for the Department. TRD report that they will have challenges with forms design, instructions and, most of all, with systems changes. They report that this will double the size of the rate database. TRD reports this change will take 5,000 hours on the legacy system, and will disrupt design of the new TRIMS system.

RELATIONSHIP

Relates to SB76 - Hospice Gross Receipts Tax Reduction and SB137 - Residential Care Gross Receipts Tax Reduction.

JE/jsp:gm