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## FISCAL IMPACT REPORT

SPONSOR: Begaye DATE TYPED: 2/7/03 HB 214

SHORT TITLE: Amend Local Hospital Gross Receipts Tax SB \_\_\_\_\_

ANALYST: Smith

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
		1,350.0	Recurring	San Juan County Local Hospital GR Tax
		40.0	Recurring	TRIMS/NMFA Administrative Fees <sup>(1)</sup>

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

#### Responses Received From

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

House Bill 214 adds San Juan County to the list of counties that are eligible to impose the local hospital gross receipts tax. Currently, pursuant to Section 7-20C-NMSA 1978, selected counties may impose the local hospital gross receipts tax at a rate of up to one-half of one percent (one time only & subject to voter approval), for a period of no more than forty years. The tax revenue is dedicated to the acquisition and/or construction and maintenance of a county hospital facility or health clinic operated by the county or another party pursuant to a lease or management contract.

### FISCAL IMPLICATIONS

The table above illustrates the revenue San Juan County could have generated in fiscal year 2002, had the tax been imposed at the maximum .5% rate. The 3% TRD administrative fees are directed to TRIMS bonds issued through the NMFA through December 2006 or the date the bonds are fully discharged. After that date, TRD administrative fees are directed to the State General Fund.

**OTHER SUBSTANTIVE ISSUES**

TRD makes the following observations:

- Cibola and Roosevelt Counties currently have the local hospital gross receipts tax imposed at a rate of 0.5% and are not allowed to impose the tax again.
- Creation or expansion of local option taxes of this sort, particularly at the tax rate level of up to .5%, may inhibit the ability of the state to raise revenue from the gross receipts tax, assuming there is a maximum tax rate the public will tolerate.
- Since this local option tax is designed to be pledged toward special obligation bonds, and no legislative action may interfere with existing bonds, the legislature might find its options somewhat more limited when dealing with gross receipts tax issues in the future. Virtually every type of authorized local option gross receipts tax, as well as the 1.225% amount shared by the state with municipal governments, has been pledged toward bonds by one local government or another.

SS/prr