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FISCAL IMPACT REPORT

SPONSOR: Sandoval DATE TYPED: 2/7/03 HB 441

SHORT TITLE: Clinical Laboratory Gross Receipts Deduction SB _____

ANALYST: Smith

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(495.0)	(540.0)	Recurring	General Fund
	(425.0)	(465.0)	Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

Duplicates SB213

SOURCES OF INFORMATION

Responses Received From

TRD

SUMMARY

Synopsis of Bill

House Bill 214 amends Section 7-9-77.1 NMSA 1978 to provide a gross receipts tax deduction for Medicare receipts of clinical laboratories accredited pursuant to federal Clinical Laboratory Improvement Act (42 USCA 263a).

The section is further amended to specify that medical doctors licensed pursuant to Section 66-6-13 (Licensure by Endorsement) and osteopaths licensed pursuant to Section 66-10-12 (Licensure without Examination) qualify for the current Medicare deduction.

A minor change in terminology from “osteopaths” to “osteopathic physicians” is also made.

FISCAL IMPLICATIONS

Qualified clinical laboratories are expected to generate revenues in excess of \$110 million and pay approximately \$6.7 million in state and local gross receipts taxes in the absence of this legislation. This estimate assumes approximately 15% of qualified laboratories' receipts are derived from Medicare payments.

There are no fiscal implications of the licensing provisions.

OTHER SUBSTANTIVE ISSUES

TRD makes the following tax policy arguments:

- This continues a trend over the last decade of removing medical and hospital services from the gross receipts base. A broad base helps to limit the tax rate, thus cutting the tax base may shift a noticeable amount of tax burden to remaining taxpayers.
- In addition to adding an element of stability to the gross receipts tax, receipts of the health care industry grow more quickly than general revenue. Exempting this sector reduces the state's ability to generate adequate revenue from the gross receipts tax.
- The proposal provides a deduction for payments received for *medical* services provided by a clinical laboratory to Medicare beneficiaries. It is probably more accurate to say that a clinical laboratory provides 'laboratory' services, rather than medical services, as the term 'medical services' implies the direct provision of patient care. If the drafters want to retain the term 'medical services' then it is probably more accurate to say "ancillary medical services provided by a clinical laboratory to Medicare beneficiaries. . ."

SS/njw:sb