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## FISCAL IMPACT REPORT

SPONSOR: Altamirano DATE TYPED: 2/11/03 HB \_\_\_\_\_

SHORT TITLE: Gross Receipts Exemption for Podiatrists SB 478

ANALYST: Smith

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(55.0)	(60.0)	Recurring	General Fund
	(46.0)	(50.0)	Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

Responses Received From  
TRD

### SUMMARY

#### Synopsis of Bill

The bill amends Section 7-9-77.1 NMSA 1978 to exchange the existing gross receipts tax deduction for Medicare receipts of medical doctors and osteopaths for an exemption. The bill expands eligibility for the exemption to podiatrists licensed pursuant to the provisions of the Podiatry Act.

The section is further amended to clarify 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

TRD notes that the fiscal impact was derived using the 1997 Census of Healthcare Services in New Mexico, the Department’s “Analysis of Gross Receipts by Standard Industrial Classification” (Report-80), “Combined Reporting System-Warrant Distribution Summary” (Report

490B), state Medicare and Medicaid expenditure data from the Centers for Medicare and Medicaid Services (CMMS).

Podiatrists are expected to generate revenues of nearly \$12 million and pay approximately \$730 thousand in state and local gross receipts taxes in the absence of this legislation. This estimate assumes approximately 15% of their receipts are derived from Medicare payments

### **CONFLICT**

HB-440 provides a gross receipts deduction for podiatrists.

### **TECHNICAL ISSUES**

TRD notes that superficially, there are no fiscal implications from changing a deduction to an exemption. However, it will make a significant difference in tax reporting. Deductions are required to be reported, exemptions are not. The department would not be able to determine from a tax return the amount a provider receives from Medicare payments.

### **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.

SS/lj/njw