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## FISCAL IMPACT REPORT

SPONSOR: Smith DATE TYPED: 2/17/03 HB \_\_\_\_\_

SHORT TITLE: Hospital Medical Services Gross Receipts SB 615

ANALYST: Smith

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(2,100.0)	(2,300.0)	Recurring	General Fund
	(1,410.00)	(1,540.0)	Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

Responses Received From  
Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 615 amends Section 7-9-77.1 NMSA 1978 to provide a gross receipts tax deduction to hospitals for receipts derived from Medicare payments. To qualify for the deduction, hospitals must be licensed by the Department of Health.

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.

The bill also makes a minor change in terminology from “osteopaths” to “osteopathic physicians”.

### FISCAL IMPLICATIONS

TRD relied on data provided by the Department of Health’s Licensing and Certification Bureau. Data from the 1997 Economic Census of Health Care and Social Assistance and the department’s

“Analysis of Gross Receipts by Standard Industrial Classification” was used to derive a taxable gross receipts base of \$284 million for FY 2004. Data from the Centers for Medicare and Medicaid Services (formerly the Health Care Financing Administration) indicates that Medicare payments account for approximately 22.4% of New Mexico hospital receipts. Thus the fiscal impact assumes \$63.5 million dollars of Medicare receipts would qualify for deduction.

**OTHER SUBSTANTIVE ISSUES**

TRD notes that 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 over time.

SS/sb