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

SPONSOR: Papen DATE TYPED: HB

SHORT TITLE: Nursing Home Gross Receipts Deduction SB 18

ANALYST: Chabot

## REVENUE

| Estimated Revenue | | Subsequent Years Impact | Recurring or Non-Rec | Fund Affected |
|---|---|---|---|---|
| **FY04** | **FY05** | | | |
| ($221.1) | ($446.9) | ($670.0) | Recurring | General Fund |
| ($150.0) | ($300.0) | ($450.0) | Recurring | Local Government |

(Parenthesis ( ) Indicate Revenue Decreases)

## SOURCES OF INFORMATION

LFC Files

Responses Received From
Human Services Department

## SUMMARY

Synopsis of Bill

Senate Bill 18 provides a gross receipts tax deduction to for-profit hospices or nursing homes from receipts derived from Medicare payments. To qualify for the deduction, the facility must be licensed by the Department of Health and certified to provide Medicare services.

## SIGNIFICANT ISSUES

Nursing homes that bill Medicaid for services must pay gross receipts taxes but are unable to collect reimbursement from the federal government. This bill would exempt those receipts from the gross receipts tax. Paying these gross receipts taxes impacts profitability and could result in financial loss. Facilities have recently closed in Santa Rosa and Santa Fe for financial reasons causing significant hardships on patients and families.

## FISCAL IMPLICATIONS

Information for this FIR was taken from information received from the Taxation and Revenue Department (TRD) for a similar bill introduced during the 2003 Legislative Session. The Health Licensing and Certification Bureau of the Department of Health reports there were 84 licensed nursing homes in New Mexico in 2002. TRD used data from the 1997 Economic Census of Health Care and Social Assistance and Analysis of Gross Receipts by Standard Industrial Classification to determine a taxable gross receipts base of $125 million for FY04. Data from the Centers for Medicare and Medicaid Services indicate that Medicare accounts for approximately 15% of nursing home receipts, and, therefore, $18.5 million in receipts would qualify for the gross receipts deduction.

**GAC/lg**