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## FISCAL IMPACT REPORT

SPONSOR Komadina DATE TYPED 2-16-04 HB \_\_\_\_\_

SHORT TITLE Health Care Services Tax Credit SB 467

ANALYST Taylor

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
	1,250.0			Recurring	General Fund

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
(2,000.0)	(8,000.0)		Recurring	General Fund
	500.0*		Recurring	Health Loan Repayment

(Parenthesis ( ) Indicate Revenue Decreases)

\*See narrative

Duplicates HB 474

Relates to SB 179, HB 80, HB 78, SB 621, SB 229, SB 317.

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)

Department of Health

### SUMMARY

SB 467 provides personal and corporate income tax credits to physicians providing medical and health care services in areas of the state eligible to be served by the New Mexico health service corps. The credit is equal to state and local gross receipts taxes from providing medical and health care services in those areas. If the taxes are paid by the pass through entity, the credit is proportional to the taxpayer's share of the taxpayer's gross receipts payments.

The credit may be applied against tax liability, and may be carried forward for up to three years. The bill also exempts stipend income received by a physician from the New Mexico service corps and income and awards received pursuant to the Health Professional Loan Repayment Act from state income taxes. Physicians are defined as a medical doctor licensed to practice medicine in the state.

The bill amends provisions related to the Health Profession Advisory committee. The committee, in addition to designating professional shortage areas, would also identify acute shortage areas. They would also designate the areas of specialization in which the state is experiencing an acute shortage.

The bill appropriates \$500 thousand from the general fund in FY05 to the health professional loan repayment fund, and \$750 thousand to the Health Department for health care provider recruitment.

The bill's provisions would become applicable on January 1, 2004.

### **FISCAL IMPLICATIONS**

TRD states that based on reports from the Health Department, stipends range in value between \$10 thousand and \$20 thousand. The total value of these is \$300,000 thousand, on average. They assume two-thirds of total stipends, or \$200 thousand, is for physicians. They apply an estimated income tax rate of 2.5 percent to arrive at a fiscal impact of \$7,500 for the income tax exemption.

TRD reports that gross receipts taxes paid by physicians are about \$50 million per year. The Health Department has indicated that about 16 percent of physicians operate in underserved areas, as defined in the bill. Multiplying \$50 million by 16 percent yields the estimated impact of \$8 million. The FY04 impact assumes one quarter of the current year activity.

The bill also appropriates \$1.25 million from the general fund. \$500 thousand is appropriated to the health professional loan repayment fund, and \$750 thousand is appropriated to the health department for recruitment of health professionals.

### **ADMINISTRATIVE IMPLICATIONS**

TRD reports that the administrative impacts are modest and can be absorbed with existing resources.

**BT/lg:yr**