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

SPONSOR Gutierrez **DATE TYPED** 03/03/05 **HB** 968

SHORT TITLE HEALTH PROVIDER OR INSURER GROSS RECEIPTS **SB**

ANALYST Padilla-Jackson

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY06	**FY07**			
($71.0)	($74.0)	Similar	Recurring	General Fund
($44.0)	($46.0)	Similar	Recurring	General Fund (Local Gov. hold harmless distribution)
($115.0)	($120.0)	Similar	Recurring	**Net Change to General Fund**
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(Parenthesis ( ) Indicate Revenue Decreases)

Relates to Senate Bill 59, Senate Bill 197, Senate Bill 540, Senate Bill 570, Senate Bill 643, House Bill 634, and House Bill 715

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)
Human Services Department (HSD)

SUMMARY

Synopsis of Bill

House Bill 968 expands the list of eligible health care practitioners eligible to receive tax deductions on gross receipts to include a licensed dietician. Current law allows eligible healthcare practitioners to deduct payments by a managed health care provider or health care insurer for commercial contract services or Medicare part C services from gross receipts.

"Commercial contract services" are defined as health care services performed by a health care practitioner pursuant to a contract with a managed health care provider or health care insurer other than those health care services provided for Medicare patients.

"Health care insurer" is a person that: (a) has a valid certificate of authority in good standing pursuant to the New Mexico Insurance Code to act as an insurer, health maintenance organization or nonprofit health care plan or prepaid dental plan; and (b) contracts to reimburse licensed health care practitioners for providing basic health services to enrollees at negotiated fee rates.

According to TRD, the proposed deductions would be eligible for the local government "hold harmless" provisions that were adopted as part of the 2004 legislation.

The effective date of the provisions in this bill is January 1, 2006.

FISCAL IMPLICATIONS

The total fiscal impact, per TRD's analysis, is -$115 thousand, of which -$74 thousand would directly impact the General Fund and -$44 thousand would presumably impact local governments in FY06. Due to the hold harmless provision, however, the General Fund would absorb the losses to local governments, and therefore absorb the entire -$115 thousand impact. TRD notes that gross receipts for dieticians were estimated based on the department's "Analysis of Gross Receipts by North American Industry Classification System (NAICS)" and that gross receipts data was also gathered in the remaining industries in Health Care and Food Services based on occupational and industry staffing patterns. They note that, based on aggregate industry trends, approximately half of these providers' receipts (half of approximately $3.5 million or $1.8 million) are assumed to come from managed care insurers, and thus eligible for the new deduction. Assuming a gross receipts rate of 6.5 percent, this would generate approximately $115 thousand in credits.

ADMINISTRATIVE IMPLICATIONS

TRD notes that systems' coding and troubleshooting must be performed; forms and instructions must be revised; taxpayer education and seminar materials must be prepared; and department personnel must be trained on the new provisions. They note that these changes can be implemented with existing resources.

OPJ/yr