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FISCAL IMPACT REPORT

ORIGINAL DATE 2/01/07

SPONSOR Silva LAST UPDATED HB 389

SHORT TITLE Hearing & Vision Aid Dispenser Gross Receipts SB

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	(740.0)		Recurring	General Fund
	(490.0)		Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)
 Department of Health (DOH)
 Commission for the Deaf and Hard of Hearing
 Commission for the Blind

SUMMARY

Synopsis of Bill

House Bill 389 creates a new gross receipts tax deduction for receipts from the sale of vision and hearing aids or from fitting and dispensing of these types of aids.

Vision aids are defined as closed circuit television systems, monoculars, magnification systems, speech output devices or other systems that specifically designed for use by persons with low vision or visual impairment and not normally used by a person who does not have low vision or visual impairment. Visual impairment is defined as a central visual acuity of 20/200 or less in the better eye with use of a correcting lens, or a limitation in the fields of vision so the widest diameter of visual field subtends an angle of 20 degrees or less.

Hearing aids are defined as small electronic prescription devices that amplify sound and are usually worn in or behind the ear of a person with impaired hearing. Hearing aids include cochlear implants, amplification systems or other devices specifically designed for use by a person with

hearing loss and not normally used by a person who does not have hearing loss.

The effective date of these provisions will be July 1, 2007.

FISCAL IMPLICATIONS

According to TRD, the 2002 Economic Census of Health Care Industries in New Mexico reports that offices of audiologists had total revenue of \$9.2 million and offices of optometrists had revenue of \$55.6 million in 2002. The estimated fiscal impact assumes that 75 percent of audiologist receipts and 10 percent of optometrist receipts would be eligible for the gross receipts tax deduction created in this bill. After adjusting for inflation, that means about \$18.7 million of receipts will be eligible for the deduction in FY08. Assuming a statewide tax rate of 6.6 percent, revenues will decrease by about \$1,230.0 thousand. About 60 percent of this revenue loss will accrue to the general fund and about 40 percent will accrue to local governments.

SIGNIFICANT ISSUES

According to the National Center on Hearing Assessment and Management, one in 10 Americans has hearing loss. However, about 30 percent of those (2.8 million) do not have hearing aids because they are unaffordable. DOH reports that in 2006, the average cost of one hearing aid, accessories and related professional services is about \$3 thousand. The cost to an individual requiring two hearing aids would be about \$6 thousand.

Hearing loss is one of the most common birth defects in the United States. According to DOH, about 80 infants with significant hearing loss are born in New Mexico each year. Hearing loss prevalence increases with age: about 31 percent of New Mexicans over the age of 65 experience hearing loss and DOH estimates that 70 to 90 percent of New Mexicans in nursing homes experience hearing loss.

DOH reports that over half of New Mexicans under the age of 21 are enrolled in Medicaid, which covers hearing and vision aids. Still, access to appropriate hearing and vision aids and related services is limited due to Medicaid's low reimbursement rate and coverage limits. The New Mexico Medical Insurance Pool covers hearing aids but requires high deductibles. Hearing aids are not covered under Medicare and a DOH survey of New Mexico's largest HMO/PPO plans found that hearing aids are excluded from coverage.

For children, vision aids may be covered by the Public Education Department during the school year, but not for home use. Insurance rarely covers durable medical equipment such as the types of vision aids that will qualify for the deduction created in this bill. While working adults may be able to acquire vision aids through the Commission for the Blind and Visually Impaired, senior citizens who are not seeking employment will not be served by that commission.

The Commission for the Deaf and Hard of Hearing notes that corrective hearing and vision aids improve communication and quality of life. The Commission for the Blind notes that making hearing and vision aids more affordable will especially benefit children. Early detection of hearing loss improves childhood development and reduces the need for special education and vocational rehabilitation services later in life. Hearing and vision aids also award senior citizens greater independence.

House Bill 389 – Page 3

LFC notes that while individual deductions from the gross receipts tax may have small fiscal impacts, their cumulative effect significantly narrows the gross receipts tax base. Narrowing the gross receipts tax base increases revenue volatility and requires a higher tax rate to generate the same amount of revenue.

LFC also notes that receipts of health practitioners have historically grown faster than receipts of other industries. Removing receipts from high-growth sectors from the gross receipts tax base makes it more difficult for tax revenue to keep pace with inflation.

ADMINISTRATIVE IMPLICATIONS

Administrative impacts on TRD will be minimal.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 389 is related to House Bill 89, which would require group health coverage issued or renewed under the Health Care Purchasing Act to provide coverage for hearing aids and related services.

SS/sb