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FISCAL IMPACT REPORT

ORIGINAL DATE 3/01/07
 LAST UPDATED 3/01/07 HB 1297

SPONSOR Lujan, B

SHORT TITLE Authorize County Health Care Gross Receipts SB _____

ANALYST Schardin

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$937.5	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	\$1,875.0		Recurring	Los Alamos County
	(\$937.5)		Recurring	County- Supported Medicaid Fund

(Parenthesis () Indicate Revenue Decreases)

Conflicts with HB 1017 and SB 1099.

SOURCES OF INFORMATION

LFC Files

Response Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 1297 amends Section 7-20E-18 NMSA 1978 to require a Class H county (Los Alamos County) to impose a 1/8 percent county health care gross receipts tax in response to a windfall increase in gross receipts tax revenue resulting from reorganization of the national laboratory.

Revenue generated from the 1/8 percent tax will be dedicated to nonprofit hospitals located within a 50 mile radius of the county to be used to support indigent patients, reimbursement for uncompensated care or contributions to the sole community provider fund to benefit nonprofit hospitals.

Because the bill has no effective date, its provisions will become effective 90 days after the legislature adjourns on June 15, 2007.

FISCAL IMPLICATIONS

TRD estimates that Los Alamos County will have a taxable gross receipts tax base of about \$1.5 billion in FY08. Therefore, an additional 1/8 percent tax would generate about \$1,875.0 thousand additional gross receipts tax revenue to be dedicated to the health services noted above.

Under current law, all counties are required to impose a 1/16 percent county health care gross receipts tax, which is dedicated to the county-supported Medicaid fund, or to send an equal amount to that fund (Section 27-10-4 NMSA 1978). Because Los Alamos County will be imposing a county health care gross receipts tax but it will not be distributed to the county-supported Medicaid fund, the bill would reduce revenue to the county-supported Medicaid fund by 1/16 percent of Los Alamos taxable gross receipts, or about \$937.5 thousand in FY08.

By reducing the amount of revenue to the county-supported Medicaid fund by \$937.5 thousand, the bill will require an additional general fund appropriation of \$937.5 thousand to support the Medicaid program.

SIGNIFICANT ISSUES

Los Alamos County is the only Class H county in New Mexico. Due to Los Alamos National Laboratory's new contract with a private entity (Bechtel Corporation), receipts of many laboratory activities are now subject to New Mexico's gross receipts tax. The new contract resulted in a gross receipts tax windfall for both the state and for Los Alamos County.

Under current law, Los Alamos County, like all other counties except Bernalillo, is allowed to impose a 1/16 percent county health care gross receipts tax. Revenues from that tax are restricted for deposit in the county-supported Medicaid fund, a non-reverting fund that is appropriated to the human services department to support the Medicaid program. If a county chooses not to impose a 1/16 percent county health care gross receipts tax, that county must dedicate an amount equal to 1/16 percent of gross receipts to the county-supported Medicaid fund (Section 27-10-4(A) NMSA 1978). As of January 1, 2007, Los Alamos County had not elected to impose that 1/16 percent tax increment.

The bill would allow Los Alamos County to impose a higher tax of 1/8 percent with revenues dedicated to the uses noted above instead of the county-supported Medicaid fund.

At the time of this analysis, it is unclear which health care facilities are located within a 50 mile radius of Los Alamos County.

Under current law, New Mexico's local governments are authorized to impose up to 4.6875 percent of local option gross receipts taxes (that figure excludes several additional local option

taxes that have been authorized for selected local governments). On average, a local option gross receipts tax of about 1.6 percent is actually imposed by local governments statewide. Combined with the state gross receipts tax of 5 percent, the statewide tax rate is therefore 6.6 percent.

ADMINISTRATIVE IMPLICATIONS

The bill will create minimal administrative impacts on TRD. TRD notes that gross receipts tax provisions are easier to implement if they contain an effective date of January 1 or July 1 since that is when instructions are revised.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 1297 conflicts with House Bill 1017 and Senate Bill 1099. These bills amend the same section to eliminate the sunset on language allowing Bernalillo County to impose a second 1/16 percent increment of the county health care gross receipts tax.

ALTERNATIVES

Consider allowing Los Alamos County to choose whether to impose the county health care gross receipts tax at either 1/16 percent or 1/8 percent. The bill will make Los Alamos County the only county that cannot choose to impose a lower tax of 1/16 percent.

TECHNICAL ISSUES

It is unclear whether there are legal issues that prevent the state from requiring one county to dedicate tax revenues to other counties.

The bill states that revenue generated from the tax in Los Alamos County will be dedicated to support indigent patients, uncompensated care or contributions to the sole community provider fund. However, the bill does not determine who will be responsible for choosing exactly how the revenue will be spent.

SS/mt