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

ORIGINAL DATE 1/31/07
SPONSOR Harden **LAST UPDATED** **HB**

SHORT TITLE Local Hospital Gross Receipt Eligibility **SB** 205

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	*See Narrative	*See Narrative	Recurring	Union County
	*See Narrative	*See Narrative	Recurring	Quay County

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates HB 329
Conflicts with SB 144 and HB 265

SOURCES OF INFORMATION
LFC Files

Responses Received From
Department of Finance and Administration (DFA)
Department of Health (DOH)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 205 amends statute to include Union and Quay counties in the list of counties that may impose a local hospital gross receipts tax. Revenues collected by Union and Quay Counties through imposition of a local hospital gross receipts tax will be restricted for use in operations, maintenance, or acquisition of land or buildings for the design, construction, renovation, equipping or furnishing of a hospital or health clinic owned by a county or with which a county has entered into a health care facilities contract, lease or management contract.

Imposition of a local hospital gross receipts tax in any county requires approval by a majority of county voters.

FISCAL IMPLICATIONS

The revenue impact to Quay and Union counties will depend on how high the local option hospital tax is set and at what date is approved by voters. TRD estimates that Quay County's taxable gross receipts will total $107 million in FY08. If the entire 0.5 percent tax authorized in the bill were imposed the tax would generate $535 thousand in that year. TRD estimates that Union County's taxable gross receipts will total $83 million in FY08. If the entire 0.5 percent tax authorized in the bill were imposed the tax would generate $415 thousand in that year.

Because the counties' voters will need to approve imposition of the tax in an election, the county would not be able to impose the tax for the full duration of FY08.

SIGNIFICANT ISSUES

According to DOH, Quay and Union Counties each operate hospitals and health clinics under lease or management agreements. Senate Bill 205 would allow these county governments to impose a local option gross receipts tax to benefit these health facilities.

The local hospital gross receipts tax may be imposed in eligible counties if that county's board of commissioners approves it. The tax may be imposed in 0.125 percent increments up to 0.5 percent. This local option tax may only be imposed once for the period necessary to pay principal and interest on revenue bonds issued to pay for the costs of acquisition, renovation and equipping a county hospital facility or a county twenty-four hour urgent care or emergency facility.

ADMINISTRATIVE IMPLICATIONS

The bill will cause no significant administrative impacts on TRD.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 205 duplicates HB 329.

Senate Bill 205 conflicts with Senate Bill 144 and House Bill 265, which also amend Section 7-20C-2 NMSA 1978. Senate Bill 144 and House Bill 265 create local option compensating taxes.

TECHNICAL ISSUES

TRD notes that under current law Union County is authorized to impose a local hospital gross receipts tax at a rate of 0.125 percent. The county must meet several requirements prior to imposing that tax that are listed in Section 7-20C-3(C), (D), and (E). It is unclear whether these existing requirements would apply to the new 0.5 percent created in this bill.

SS/nt