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

SPONSOR Nava | **ORIGINAL DATE** 1/31/07 | **LAST UPDATED** 2/01/07 | **HB**

SHORT TITLE Ambulance Service Provider Gross Receipts | **SB** 547/aSCORC

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	($155.3)	($333.8)	Recurring	General Fund
	$155.3	$333.8	Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files
New Mexico Ambulance Association (NMAA)

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

SUMMARY

Synopsis of Amendment

The Senate Corporations and Transportation Committee amendment to Senate Bill 547 fixes a typographical error contained on page 3, line 15 of the original bill by changing “2008” to “2009.”

Synopsis of Bill

Senate Bill 547 creates a phased-in gross receipts tax credit for the receipts of ambulance service providers licensed by the public regulation commission. The credit equals one third of the state gross receipts tax rate in FY08, two-thirds of state gross receipts tax in FY09, and the entire state gross receipts tax rate in FY10 and beyond (see Technical Issues).

The bill will be applicable to tax reporting periods after July 1, 2007.

FISCAL IMPLICATIONS

All of the state's ambulance service providers are currently located within municipal areas, where the state tax rate is 3.775 percent. The credit will eliminate the state gross receipts tax paid by ambulance service providers once it is fully phased-in in FY10. The bill does not apply to local option gross receipts taxes, so ambulance providers will still pay a little over 1 percent local gross receipts tax.

Information provided by the NMAA suggests that there are nine for-profit ambulance providers in the state and with taxable gross receipts of about $10.8 million. Assuming that the impacted tax base will grow by 7 percent each year, the credit will reduce general fund revenue by about $155.3 thousand in FY08, 333.8 thousand in FY09, and $532.9 thousand once it is fully phased-in in FY10.

SIGNIFICANT ISSUES

NMAA reports that this bill is meant to level the playing field between for-profit and nonprofit ambulance providers since nonprofit providers due not pay gross receipts tax.

NMAA also reports that about 62 percent of ambulance transports are for Medicare and Medicaid recipients. Gross receipts tax payments cannot be passed on to consumers for Medicare patients because the federal government will not pay it, and Medicaid reimbursements cover about 30 percent of costs.

LFC notes that while individual credits 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 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

TRD reports that the proliferation of gross receipts tax credits that contain hold-harmless provisions for local governments increases the complexity and costliness of complying with and administering the gross receipts tax.

TRD reports they will need to create a new form and process the credit manually. TRD will also need to educate taxpayers, train personnel, and modify audit processes.

SS/nt:csd