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FISCAL IMPACT REPORT

ORIGINAL DATE 2/19/07

SPONSOR Ingle LAST UPDATED _____ HB _____

SHORT TITLE Rural Health Care Practitioner Credit SB 1057

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	(3,400.0)	(3,400.0)	Recurring	General fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates HB1166

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

Department of Health (DOH)

SUMMARY

Synopsis of Bill

Senate Bill 1057 provides a credit to health care practitioner who has provided services in a rural health care underserved area. The credit is against personal income tax liability and can be carried forward for three years if the credit exceeds tax liability. The maximum allowable credit for a physician, dentist, osteopathic physician, clinical psychologist, podiatrist or optometrist is \$5,000. The maximum allowable credit for dental hygienists, physician assistants, certified nurse-midwives, certified registered nurse anesthetists, certified nurse practitioners or clinical nurse specialists is \$3,000.

To qualify for the full credit, a practitioner must have provided health care for 2,080 hours at a practice site in an approved area. If the practitioner provided health care for at least 1,040 hours, the practitioner is eligible for 50 percent of the credit.

The Department of Health will determine whether the practitioner's application qualifies for the credit and will issue a certificate to the Taxation and Revenue Department.

The credit is effective for tax years beginning with 2007.

FISCAL IMPLICATIONS

TRD prepared the following fiscal impact analysis:

Fiscal impacts were estimated using information provided by the New Mexico Department of Health and information from individual income tax returns. The Department of Health conducted an analysis of the number of physicians in each specialty with residences in rural underserved areas of the state. This analysis yielded an estimate of approximately 1,250 practitioners, approximately 900 of whom were physicians eligible for the \$5,000 credit. Multiplying this population by the maximum credit amounts yields a potential revenue loss of \$5.5 million. This impact was then adjusted downward to reflect the following considerations:

(1) A 2003 report by the N.M. Health Policy Commission estimated that approximately 55 percent of the respondents to a survey of licensed practitioners were actively practicing medicine in New Mexico. A large percentage was practicing in other states and some were retired. A separate study by the Center for Health Workforce Studies estimated that only 52 percent of licensed physicians were actively practicing in the state.

(2) Some of the practicing physicians living in rural areas may be practicing only part-time in the rural area, thus they will receive the reduced tax credit.

(3) A \$3,000 tax credit could offset tax on about \$60,000 of taxable income, equivalent to about \$75,000 of total income. A \$5,000 credit could completely offset tax on \$100,000 of taxable and \$125,000 of total income. Although many physicians are likely to make enough to fully utilize the credits, other practitioners are less likely to be able to do so.

These considerations warrant a downward adjustment of 50 percent or more. To be on the fiscally conservative side, the estimates in the table are adjusted down by approximately 40%.

SIGNIFICANT ISSUES

Department of Health:

SB1057 would establish a major new financial incentive for the recruitment and retention of health care practitioners in rural underserved areas. In preliminary planning conducted by the Taxation and Revenue Department and the Department of Health, it was estimated that as many as 750 individuals might participate, with tax credits totaling as much as \$3.5 million per year.

Several states have similar programs to the one proposed in SB1057. Oregon has had a statewide program of this type in place for over a decade, with more than 1,500 participants each year. Program officials in Oregon report that a tax credit program is an effective way to provide incentives to needed health care practitioners, particularly in the area of retention. The program proposed in SB 1057 would be more comprehensive than the Oregon program.

DOH also reports that thirty-one of New Mexico's thirty three counties are designated, entirely or partially, as primary medical care shortage areas by the Federal government.

ALTERNATIVES

The requirement of 2080 hours of work at a practice site is based on 52 weeks of 40 hour weeks and does not seem to allow for vacation. A clarification that describes a practitioner as having been *compensated* for 2080 hours would make this allowance.

Another alternative is to provide an increasing schedule of credits based on the hours worked to encourage practitioners to spend some time if not full-time or half-time in a rural area.

NF/csd