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## FISCAL IMPACT REPORT

SPONSOR Anderson ORIGINAL DATE 1/30/08  
LAST UPDATED \_\_\_\_\_ HB 527  
SHORT TITLE Small Employer Health Insurance Tax Credits SB \_\_\_\_\_  
ANALYST Francis

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
	(\$7,272.0)	(\$5,406.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Conflicts with SB115, Duplicates SB296

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

House Bill 527 creates a credit against personal or corporate income tax liability for the costs of health insurance borne by small employers. The credit is equal to five percent of the employer's cost of providing health insurance for an employer who employs fewer than 10. The taxpayer could qualify for an additional five percent credit if the employer has not provided health insurance in the last 12 months. The credit is refundable so the amount in excess of the taxpayer's liability is refunded.

The credit is effective for tax years beginning on or after January 1, 2008.

### FISCAL IMPLICATIONS

According to TRD, the impacts were estimated using information from the Medical Expenditure Panel Survey for New Mexico. According to the data the employers contribute about 80% of health insurance premiums. The average premium per employee is estimated to be approximately \$4,600 for FY 2005. We assume a premium growth rate of 8% to estimate the premiums for the subsequent years.

Year	2,008	2,009	2,010	2,011	2,012
Growth Rate	1	1	1	1	1
Premium / employee	5,810	6,275	6,777	7,319	7,904
Number of Establishments	27,413	27,879	28,325	28,750	29,037
Number of Establishments offering Health Insurance	8,114	8,252	8,384	8,510	8,595
Number of Establishments not offering Health Insurance	19,299	19,627	19,941	20,240	20,442
Percent of employees that enroll in Health Insurance	77.50%	77.50%	77.50%	77.50%	77.50%
Average number of employees per employer	3.79	3.79	3.79	3.79	3.79
Premiums from Existing Employers	138,389	152,001	166,788	182,832	199,434
Premiums from new Employers	24,686	27,114	29,751	32,613	35,575
Credit Existing	6,919	7,600	8,339	9,142	9,972
Credit New	2,469	2,711	2,975	3,261	3,557
Total Credit Allowed	9,388	10,311	11,315	12,403	13,529
Credit Taken Subject to Liability	4,694	5,156	5,657	6,201	6,765
Fiscal Year Estimates (thousands)	7,272	5,406	5,929	6,483	

Source: TRD

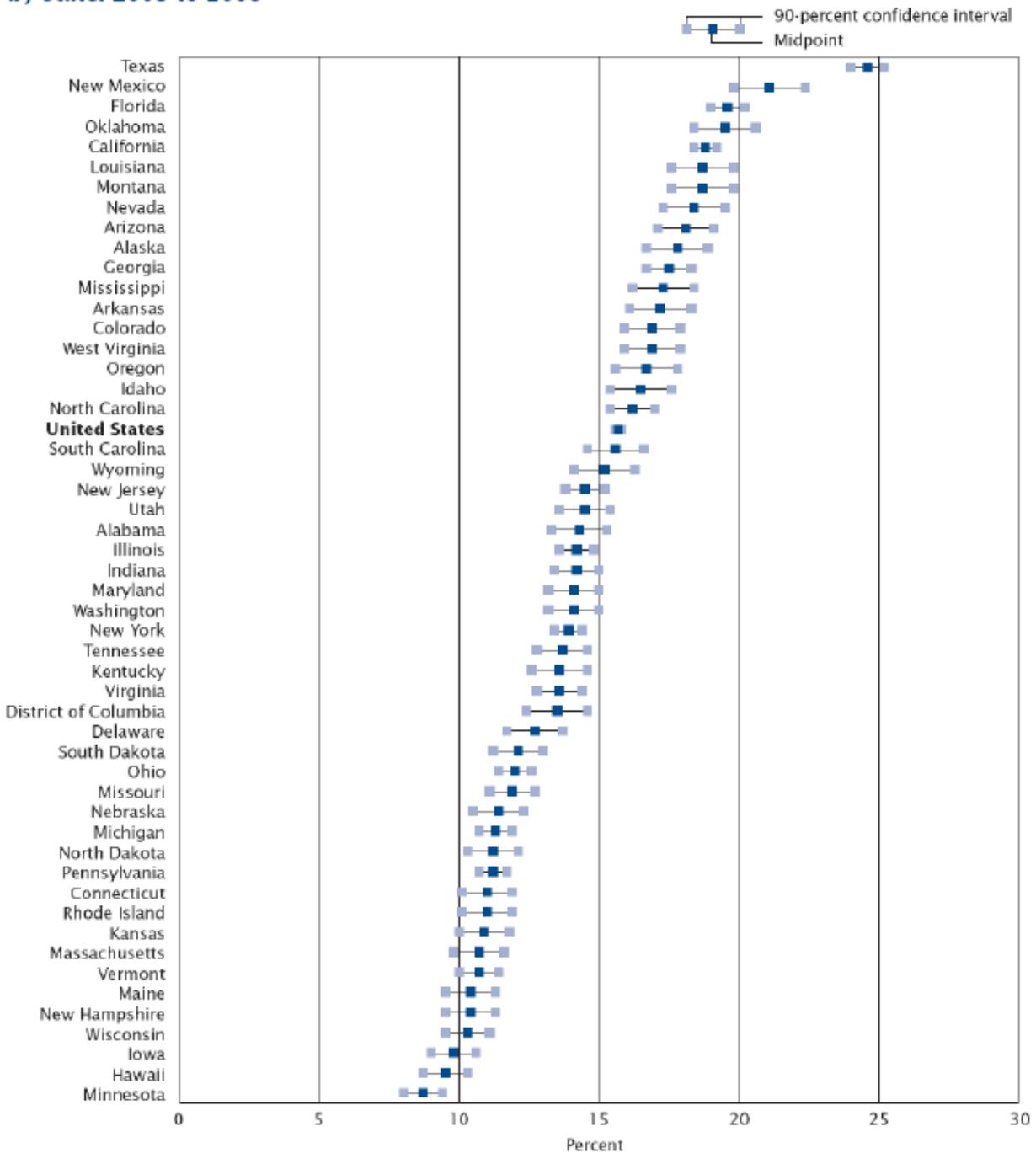
TRD:

The data indicates that out of the 22,337 firms that have 10 or less employees in 2005, 29.6% provide health insurance. Out of the employees in these firms, 77.5% enroll in health insurance. Bureau of Business and Economic Research (BBER) at UNM forecasts the growth rates of employment used to calculate the fiscal impact. The average number of employees per firm with 10 employees or less was 3.79 in 2005. Credit allowed for currently participating employers is assumed to be at 5% rate and credit allowed for the employer uptake is assumed to be at 10% rate in order to estimate the calendar year impact shown in table below. To calculate the Fiscal Year impacts, the tax year 2008 liability changes were assumed to affect only FY2009 revenues. Tax year 2009 and subsequent year changes in liabilities were assumed to be evenly split across the two fiscal years included in the calendar year.

**SIGNIFICANT ISSUES**

The importance of health care coverage in New Mexico cannot be understated. Other than Texas, no other state has a higher percentage of uninsured than New Mexico. The chart below shows the state rankings.

**Three-Year Average Percentage of People Without Health Insurance Coverage by State: 2003 to 2005**



Source: U.S. Census Bureau, Current Population Survey, 2004 to 2006 Annual Social and Economic Supplements.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

SB115 creates a credit of 50 percent of health insurance premiums for the first five years of coverage and 35 percent afterward for employers with 50 or fewer employees. SB296 is a duplicate.

NF/mt