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FISCAL IMPACT REPORT

ORIGINAL DATE 2/4/08

SPONSOR Silva LAST UPDATED HB 623

SHORT TITLE County Health Care Gross Receipts Time Limit SB

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
		10,291.2	Recurring	Bernalillo County

(Parenthesis () Indicate Revenue Decreases)

Duplicates SB428

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

Health Policy Commission (HPC)

SUMMARY

Synopsis of Bill

House Bill 623 amends Section 7-20E-18 NMSA 1978 so that counties with populations above 500 thousand (Bernalillo) will retain the option of imposing a second 1/16 percent increment of the county health care gross receipts tax indefinitely. Currently, that county may only impose the second 1/16 percent increment until June 30, 2009.

Because the bill has no effective date, it would become effective 90 days after the 2008 legislature adjourns on May 14, 2008.

FISCAL IMPLICATIONS

Bernalillo County is the only county in New Mexico authorized to impose a second 1/16 percent increment of the county health care gross receipts tax. Bernalillo county's taxable gross receipts base will be about \$18.1 billion in FY10, the first year that the increment would sunset under current law. An additional 1/16 percent increment will increase Bernalillo county gross receipts tax collections by about \$11,291.2 thousand in FY10.

SIGNIFICANT ISSUES

The 2006 legislature amended the county health care gross receipts tax statute to allow counties with populations over 500 thousand to impose an additional 1/16 percent gross receipts tax increment. The Senate Finance Committee amendment to the 2006 bill (HB 274) inserted a sunset clause so that the additional 1/16 percent increment could only be imposed until June 30, 2009.

Revenues collected from the first 1/16 percent increment of the county health care gross receipts 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.

Revenues collected due to Bernalillo County's second 1/16 percent increment of the county health care gross receipts tax must be used to support the health care costs of indigent patients. The second increment is intended to support the Bernalillo County hospital, which is located at UNM.

New Mexico's municipalities and counties are authorized to impose over 4 percent of local option gross receipts taxes (that figure excludes several additional local option taxes that have been authorized for selected local governments). Due to increasing imposition of local option taxes, the statewide gross receipts tax rate is increasing steadily. On average, a local option gross receipts tax of about 1.9 percent will be imposed by local governments statewide by FY09. Combined with the state gross receipts tax of 5 percent, the statewide tax rate is therefore 6.9 percent.

ADMINISTRATIVE IMPLICATIONS

The bill will create minimal administrative impacts on TRD.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 623 duplicates Senate Bill 428.

SS/bb