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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/23/08

SPONSOR Snyder LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Senior Citizen Prescription Drug Tax Credit SB 113

ANALYST Francis

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
	(25,822.3)		Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Health (DOH)

Human Services Department (HSD)

#### Response Requested by Not Received From

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 113 creates a new personal income tax credit for NM residents who are 65 and older for up to 75 percent of the taxpayer's actual unreimbursed expenditures on prescription drugs. The credit is refundable so if it exceeds the taxpayer's liability the excess is refunded. The credit cannot be taken if a federal credit or deduction was claimed. Taxpayers who were inmates of public institutions for more than six months or who were not physically present in the state for six or more months are ineligible for the credit.

The credit is effective for tax years beginning on or after January 1, 2008, and there is no sunset or repeal date.

### FISCAL IMPLICATIONS

**TRD has not completed its analysis of SB113 and so the fiscal impact reported here may change.** The estimate below is based on the 2006 consumer expenditures on "Drugs" for 65 and

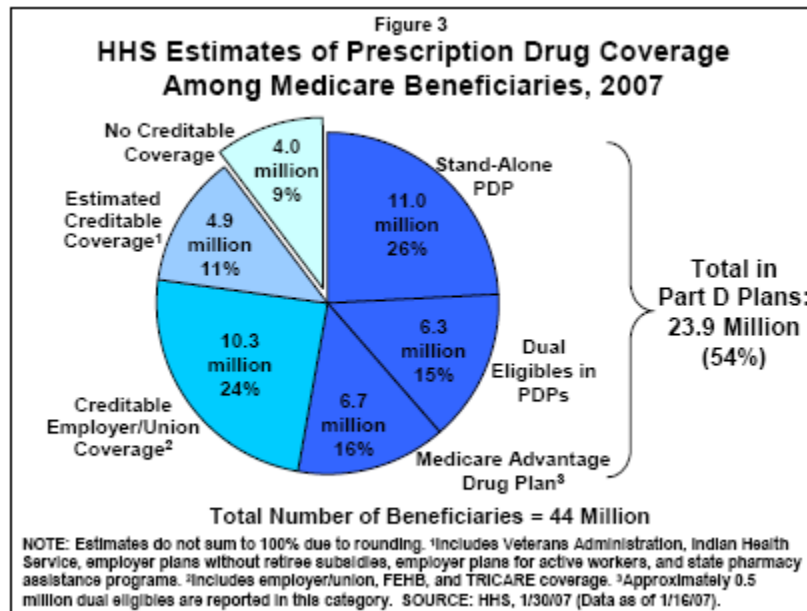
older. The eligible population is determined by the population over 65 in NM adjusted for part time residency and insurance participation (both no credible and estimated creditable coverage). Insured are assumed to be ineligible even though many will likely have unreimbursed expenses that would qualify for the credit. Since it is a credit on personal income tax, the full 2008 tax year fiscal impact will be realized in FY09.

**LFC Estimate of SB113**

Spending on drugs for over 65	\$	887.00
Number over 65		242,600
Full year resident		194,080
No credible coverage or uncertain coverage		20%
Eligible population		38,816
Total Expenditure on Drugs	\$	34,429,792
Size of Credit	\$	25,822,344

Source: Consumer Expenditure Survey, TRD 2005 Tax Facts, Kaiser Family Foundation

**SIGNIFICANT ISSUES**



HSD:

Most Medicaid recipients that are over 65 years of age are “dually-eligible” for both Medicaid and Medicare and, as such, receive the majority of their prescription drug benefit from Medicare Part D. Few, if any, full Medicaid recipients over age 65 would have out of pocket expenses for prescription drugs. Recipients of some Medicaid programs, such as Qualified Medicare Beneficiaries (QMB) and Low Income Medicare Beneficiaries (SLIMBs, QI-1) may have out of pocket expenditures for prescription drugs and could potentially be affected.

DOH:

People living with disabilities also often incur significantly large prescription drug costs. Although some disabled people are eligible for Medicare, and therefore able to

participate in Medicare Part D, many are not. For those that are on Medicare Part D, people living with disabilities would benefit from this provision in the same way as senior citizens would. For those not on Medicare Part D, who may or may not have adequate health insurance with prescription drug coverage, it could be even more important to extend the tax credit to them. The Aging and Long-Term Services Department provides services and supports to all individuals in need of long-term services and supports. We would recommend extending this tax credit to people living with a disability as well as to those over the age of 65.

### **PERFORMANCE IMPLICATIONS**

Cost is the issue with prescription drugs and while SB113 would relieve some of the cost to the consumer the bill would do nothing to control the costs of prescription drugs. The credit would be more efficient if it were combined with a state purchasing plan of prescription drugs or some other method of controlling costs.

### **ADMINISTRATIVE IMPLICATIONS**

TRD would face a significant administrative burden authenticating and validating receipts of unreimbursed expenditures.

NF/bb