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FISCAL IMPACT REPORT

ORIGINAL DATE 1/26/08

SPONSOR Rawson LAST UPDATED _____ HB _____

SHORT TITLE Income Tax Definition of "Physician" SB 248

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
	(12.3)	(12.6)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 248 amends several provisions of the income tax act dealing with medical care to expand the definition of physician to include physicians licensed or certified to practice out of state. The following deductions/exemptions are amended:

- Personal income tax (PIT) exemption for unreimbursed or uncompensated medical care expenses of individuals 65 and older
- PIT credit for unreimbursed or uncompensated medical care expenses of individuals 65 and older
- PIT deduction for unreimbursed or uncompensated medical care expenses

Current law defines physician as a medical doctor, osteopathic physician, dentist, podiatrist, chiropractic physician or psychologist licensed or certified to practice in New Mexico only.

The effective date is July 1, 2008.

FISCAL IMPLICATIONS

TRD:

Approximately 1,280 returns claimed this deduction in tax year 2006. Their exemptions

totaled \$3.84 million. Of the 1,280 returns, 277 nonresidents of New Mexico claimed deductions totaling \$831,000. The average personal income tax rate among claimants is estimated to be 3.2%, making the cost of the exemption approximately $.032 \times \$3.84$ million = \$122,800. Including physicians licensed in another state is estimated to increase total claims by 10%, or \$12,000 per year in FY 2009. For the subsequent years, the impact is estimated to grow at the net population growth rate of approximately 2.5%.

TECHNICAL ISSUES

The effective date for personal income tax amendments are usually the start of the tax year (January 1) but SB248 is effective half way through the tax year.

NF/mt