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## FISCAL IMPACT REPORT

**ORIGINAL DATE**  
**LAST UPDATED** 8/16/08 **HB** \_\_\_\_\_

**SPONSOR** Snyder \_\_\_\_\_

**SHORT TITLE** Senior Citizen Prescription Drug Tax Credit **SB** 26 \_\_\_\_\_

**ANALYST** Gutierrez \_\_\_\_\_

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
(\$240,499)	(\$175,408)	(\$189,441.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files  
 Taxation and Revenue Department (TRD)

Responses Received From  
 Taxation and Revenue Department

### SUMMARY

#### Synopsis of Bill

Senate Bill 26 provides a refundable personal income tax credit for New Mexico residents who are 65 years of age or older and who file an individual New Mexico income tax return to claim a credit for prescription drugs. The credit amount cannot exceed 75% of the taxpayer's actual unreimbursed expenditures for prescription drugs during the taxable year for which the return is filed. Taxpayers cannot "double dip," i.e., claim the credit for expenses already claimed for federal or state income tax purposes.

### FISCAL IMPLICATIONS

Estimated Revenue Impact*						R or NR**	Fund(s) Affected
FY2009	FY2010	FY2011	FY2012	FY2013	FY 09-13		
(240,499)	(175,408)	(189,441)	(204,596)	(220,963)	(952,822)	R	General Fund

\* In thousands of dollars. Parentheses ( ) indicate a revenue loss.

\*\* Recurring (R) or Non-Recurring (NR).

Source: Taxation and Revenue Department

## SIGNIFICANT ISSUES

Out of pocket expenditures for prescription drugs were \$669 per year for insured individuals and of \$858 for uninsured individuals under 65 in 2007.<sup>1</sup> The Consumer Expenditure Survey indicates that individuals over 65 years old spend \$4,176 per year in health care expenditures, of which about 20% are spent on prescription drugs, which results in \$835 per year. For the TRD estimate, an average of \$800 per capita was used.

According to the Taxation and Revenue Department, about 241,000 New Mexicans are 65 years of age or older. If the number of eligible New Mexicans is multiplied by \$800 per year spent on un-reimbursed prescription drug purchases per capita, the total amount spent by this population on un-reimbursed prescription drug purchases would be \$192.8 million in 2007. The credit proposed in this bill cannot exceed 75% of the taxpayer's actual un-reimbursed expenditures for prescription drugs; therefore the revenue loss would be \$144.6 million<sup>2</sup> in 2007. According to Mathematica, health costs are increasing at an average rate of 8% per year. This growth rate was applied to the revenue loss estimate.

## ADMINISTRATIVE IMPLICATIONS

This bill would have a minimal impact on the Taxation and Revenue Department. TRD would need to modify the personal income tax (PIT) forms, instructions, and publications; develop audit and compliance procedures associated with verifying claims for the proposed credits.

## TECHNICAL ISSUES

TRD:

Page 1, line 20 of the bill should read “any New Mexico resident...”

Under Section 7-2-5.9, un-reimbursed purchases of prescription drugs are also subject to a credit, but with some restrictions, for example medical expenses have to exceed \$28,000 per year.

BLG/svb

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<sup>1</sup> “Quantitative and Comparative Analysis of Reform Options for Extending Health Care Coverage in New Mexico.” Mathematica Policy Research Inc. Draft Final Report, June 19, 2007.

<sup>2</sup> A taxpayer presumably would take the proposed credit, instead of itemizing these expenses at the federal level or use them under 7-2-5.9.