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FISCAL IMPACT REPORT

ORIGINAL DATE 1/24/09
 SPONSOR Martinez LAST UPDATED 2/19/09 HB 203
 SHORT TITLE Expand Rural Health Practitioner Tax Credit SB
 ANALYST Francis

REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Non-Rec | Fund Affected |
|-------------------|------|-------------|-------------------------|------------------|
| FY09 | FY10 | FY11 | | |
| | | (\$2,300.0) | Recurring | General Fund |

(Parenthesis () Indicate Revenue Decreases)

Identical to HB129 and SB58.
 Relates to HB179 and HB61

SOURCES OF INFORMATION

LFC Files
 Health Policy Commission

Responses Received From
 Taxation and Revenue Department (TRD)
 Department of Health (DOH)

SUMMARY

Synopsis of Bill

House bill 203 modifies the Rural Health Care Practitioner tax credit to include licensed occupational therapists, physical therapists, social workers and speech-language pathologists. The expanded credit will be applicable beginning with tax year 2010.

FISCAL IMPLICATIONS

TRD reports a fiscal impact of \$2.3 million based on 75 percent of the 1,000 licensed practitioners included in the expanded scope being eligible for the full \$3,000 credit. TRD assumes 50 percent because many practitioners operate in other states, operate part-time and/or do not have sufficient income to use the full credit. DOH reported to LFC that 1,000 is approximately the number of rural providers.

SIGNIFICANT ISSUES

The rural health care practitioner tax credit provides a credit against personal income in the amount of \$5,000 for physicians and dentists and \$3,000 for nurses, dental hygienists, and physician assistants practicing full time in rural health care underserved areas, as defined by DOH.

DOH reports that the expanded scope of the credit will encourage more practitioners to serve rural areas. According to a DOH report on the first six months of the current credit, 1,356 practitioners qualified for the credit, almost half of them physicians. The geographic distribution was evenly spread through four regions: 394 in the northwest, 230 in the northeast, 297 in the southwest, 418 in the southeast, and 17 in Bernalillo County. Most of the professionals lived and worked in rural areas and about half of them travel more than one hour each way to their practice site.

It is unclear from DOH information if any of the physicians that are qualifying for the credit are new to rural areas or existing physicians. According to the Health Policy Commission “Quick Facts” publications, the supply of physicians in NM grew from 4,010 to 4,220, or 5.2 percent, from 2005 to 2007. The growth was higher in urban counties than in rural counties.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 58 and HB129 are duplicate bills. HB 61 and HB 179 make changes to the geographic area.

NF/mc

The Legislative Finance Committee has adopted the following principles to guide responsible and effective tax policy decisions:

- 1. Adequacy:*** revenue should be adequate to fund government services.
- 2. Efficiency:*** tax base should be as broad as possible to minimize rates and the structure should minimize economic distortion and avoid excessive reliance on any single tax.
- 3. Equity:*** taxes should be fairly applied across similarly situated taxpayers and across taxpayers with different income levels.
- 4. Simplicity:*** taxes should be as simple as possible to encourage compliance and minimize administrative and audit costs.
- 5. Accountability/Transparency:*** Deductions, credits and exemptions should be easy to monitor and evaluate and be subject to periodic review.

More information about the LFC tax policy principles will soon be available on the LFC website at www.nmlegis.gov/lcs/lfc