

LFC Requestor: Gray, Brendon

2024 LEGISLATIVE SESSION
AGENCY BILL ANALYSIS

Section I: General

Chamber: House

Category: Bill

Number: 163

Type: Introduced

Date (of THIS analysis): January 22, 2024

Sponsor(s): Miguel P. García and Jenifer Jones

Short Title: Rural Health Care Tax Credit Eligibility

Reviewing Agency: Agency 665 - Department of Health

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Section II: Fiscal Impact

APPROPRIATION (dollars in thousands)

Appropriation Contained		Recurring or Nonrecurring	Fund Affected
FY 24	FY 25		
\$0	\$0	N/A	N/A

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY 24	FY 25	FY 26		
\$0	\$0	\$0	N/A	N/A

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY 24	FY 25	FY 26	3 Year Total Cost	Recurring or Non-recurring	Fund Affected
Total	\$153,212	\$153,212	\$153,212	\$459,636	n/a	n/a

Pay Band 65 - \$29.12/hr. x 2080 hours x 0.4395 = \$87,190 + Office Setup \$6,022 + Rent \$60,000 = \$153,212 (2080 hours are the standard full-time hours per year).

Section III: Relationship to other legislation

Duplicates: None.

Conflicts with: None.

Companion to: None.

Relates to: None.

Duplicates/Relates to an Appropriation in the General Appropriation Act: None.

Section IV: Narrative

1. BILL SUMMARY

a) Synopsis

House Bill 163 (HB163) would modify Section 7-2-18.22 NMSA 1978, the statute authorizing the Rural Health Care Practitioner Tax Credit, to expand the types of practitioners eligible for qualification under the program. HB163 proposes to expand "eligible health care practitioner" by adding certain Pharmacists, Registered Nurses, Social Workers, Behavioral Health Counselors and Therapists and Physical Therapists to the Rural Health Care Practitioner Tax Credit; Modifying the requirements for receiving the Rural Health Care Practitioner Tax Credit; Increasing data collection and reporting requirements for the Taxation and Revenue Department (TRD).

Physicians, osteopathic physicians, dentists, clinical psychologists, podiatrists, and optometrists who qualify pursuant to the provisions of this section and have provided health care during a taxable year for at least one thousand five hundred eighty-four (1,584) hours at a practice site located in an approved rural health care underserved area will be eligible for the five-thousand-dollar (\$5,000) Tax Credit. For Eligible health care practitioners listed in this paragraph who provided health care services for at least seven hundred ninety-two (792) hours but less than one thousand five hundred eighty-four hours (1,584) at a practice site located in an approved rural health care underserved area during a taxable year are eligible for one-half of the tax credit amount.

A three-thousand-dollar (\$3,000) Tax Credit can be provided for all pharmacists, dental hygienists, physician assistants, certified nurse-midwives, certified registered. nurse anesthetists, certified nurse practitioners, clinical nurse specialists, registered nurses, licensed clinical social workers, licensed independent social workers, professional mental health counselors, professional clinical mental health counselors, marriage and family therapists, professional art therapists, alcohol and drug abuse counselors, and physical therapists who qualify pursuant to the provisions of this section and have provided health care during a taxable year for at least one thousand five hundred eighty-four hours (1,584) at a practice site located in an approved rural health care underserved area. Eligible health care practitioners listed in this paragraph who provided health care services for at least

seven hundred ninety-two (792) hours but less than one thousand five hundred eighty-four (1,584) hours at a practice site located in an approved rural health care underserved area during a taxable year are eligible for one-half of the tax credit amount.

Additionally, HB163 proposes to modify DOH's certificate to include the practitioner's taxpayer identification number and first eligible tax year, and shall be numbered for identification, declare the date of issuance, and the amount of tax credit allowed. This includes providing certificates to TRD in a secure manner on a regular basis that is agreed upon by both DOH and TRD.

Is this an amendment or substitution? Yes No

Is there an emergency clause? Yes No

b) Significant Issues

New Mexico has a significant shortage of health care professionals, which include not only doctors, but all health care professionals such as nurses, physician assistants, dentists, dental hygienists, psychiatrists, pharmacists, administrative staff, etc. The New Mexico Healthcare Workforce Committee 2022 Annual Report documents the shortage of physicians in New Mexico and offers recommendations for recruitment, retention, and increasing the health care workforce

(https://digitalrepository.unm.edu/cgi/viewcontent.cgi?article=1009&context=nmhc_workforce).

Geographically, New Mexico is a largely rural state. Of New Mexico's 33 counties, seven contain predominantly urban areas defined as part of Metropolitan Statistical Areas (New Mexico Rural Health Plan, June 2019:

<https://www.nmhealth.org/publication/view/report/5676/>). The remaining 26 non-metropolitan counties are considered rural or frontier in nature. It should be noted that there are locations within Metropolitan Statistical Areas counties that are largely rural or frontier. The very large size of New Mexico counties creates this situation (New Mexico Rural Health Plan, June 2019).

The DOH Rural Health Care Practitioner Tax Credit Program (hereinafter referred to as Tax Credit Program) thoroughly reviews applications from health care providers each tax year. Certificates are issued to those who meet all eligibility criteria. Participants file these certificates as part of their own individual tax returns for tax credits issued by the Taxation and Revenue Department (TRD). The Tax Credit Program impact for tax year 2022, was that two thousand fifty-eight (2,058) rural health care providers were determined eligible. All were practicing in rural areas. (Data retrieved from the NM Rural Health Care Practitioner Tax Credit Program database).

Based on licensure data for the various professions in New Mexico (NM Health Care Workforce Committee 2022 Annual Report: [New Mexico Health Care Workforce Committee 2022 Annual Report \(unm.edu\)](#)) the Tax Credit Program would not be able to calculate how many rural health care professionals would be working in rural areas. In fact, this was one of the original challenges in 2006 when legislators were deciding on the current rural health care professionals to be approved for the Tax Credit Program. The Tax Credit Program does not track the number of patients served by rural health care providers in rural locations. The Tax Credit Program only tracks the total number of rural health care providers eligible. TRD tracks the number of actual issued tax credits.

Since the Tax Credit Program's inception, no state operational funds have been dedicated to the administration of this program. The operation of this program is conducted with staff time assigned from other federal and state programs.

2. PERFORMANCE IMPLICATIONS

- Does this bill impact the current delivery of NMDOH services or operations?
 Yes No
- Is this proposal related to the NMDOH Strategic Plan? Yes No
- Goal 1:** We expand equitable access to services for all New Mexicans
- Goal 2:** We ensure safety in New Mexico healthcare environments
- Goal 3:** We improve health status for all New Mexicans
- Goal 4:** We support each other by promoting an environment of mutual respect, trust, open communication, and needed resources for staff to serve New Mexicans and to grow and reach their professional goals

3. FISCAL IMPLICATIONS

- If there is an appropriation, is it included in the Executive Budget Request?
 Yes No N/A
- If there is an appropriation, is it included in the LFC Budget Request?
 Yes No N/A
- Does this bill have a fiscal impact on NMDOH? Yes No

The proposed legislation contains no appropriation for the administrative support needed to carry out the requirements of HB163. A Full-Time Equivalent (approximately \$153,212/year) would be needed to process the anticipated increase in tax credit applications.

4. ADMINISTRATIVE IMPLICATIONS

Will this bill have an administrative impact on NMDOH? Yes No

The eligibility expansion proposed in HB163 could increase the number of applications submitted to the NMDOH for the Rural Health Care Practitioner Tax Credit Program, and without adequate staff to process the increased applications, a Full-Time Equivalent would be needed to process the increase in tax credit applications. The proposed legislation contains no appropriation for administrative support needed to carry out the requirements of HB163. Currently, NMDOH does not receive state operational funds to process Rural Health Care Practitioner Tax Credit applications. The operation of this program is conducted with staff time assigned from other federal and state programs.

5. DUPLICATION, CONFLICT, COMPANIONSHIP OR RELATIONSHIP

None.

6. TECHNICAL ISSUES

Are there technical issues with the bill? Yes No

7. LEGAL/REGULATORY ISSUES (OTHER SUBSTANTIVE ISSUES)

- Will administrative rules need to be updated or new rules written? Yes No

- Have there been changes in federal/state/local laws and regulations that make this legislation necessary (or unnecessary)? Yes No
- Does this bill conflict with federal grant requirements or associated regulations?
 Yes No
- Are there any legal problems or conflicts with existing laws, regulations, policies, or programs? Yes No

8. DISPARITIES ISSUES

New Mexico's health system poses certain challenges for improving the health status of the population as New Mexico's population is not evenly distributed across the state geographically. Of New Mexico's 33 counties, seven contain predominantly urban areas defined as part of Metropolitan Statistical Areas. The remaining 26 Non-Metropolitan counties are considered rural or frontier in nature ([New Mexico Rural Health Plan](#), June 2019).

Due to current healthcare reimbursement systems, communities with a large proportion of low-income residents and rural communities may not generate sufficient paying demand to assure that providers will practice in these locations (2020-2022 New Mexico State Health Improvement Plan, page 4: <https://www.nmhealth.org/publication/view/plan/5311/>). The rural to urban migration of health professionals inevitably leaves poor, rural, and remote areas underserved and disadvantaged. Skilled health professionals are increasingly taking job opportunities in the labor market in high-income areas as the demand for their expertise rises.

9. HEALTH IMPACT(S)

Since the demands for health care services and providers continues to increase, providing incentives, such as the Tax Credit Program, to rural health care providers who work in rural and underserved areas may help stabilize and improve health care services (<https://www.nmhealth.org/publication/view/plan/5311/>) page 12.

Providing health care and public health services in rural areas poses challenges such as the ability to hire and maintain health care providers, and the great distances that many people must travel to get care (New Mexico State Health Improvement Plan, 2020-2022 <https://www.nmhealth.org/publication/view/plan/5311/>) page 6. The proposed eligibility changes in HB163 could encourage more health care providers to provide needed health care services in rural and underserved areas of the state.

10. ALTERNATIVES

None.

11. WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

If HB163 is not enacted, Section 7-2-18.22 NMSA 1978, the statute authorizing the Rural Health Care Practitioner Tax Credit, would not be modified to expand the type of health care professional eligible for qualification under the program, nor would the amount of the tax credit of \$5,000 or \$3,000 be applied to the proposed health care professionals.

12. AMENDMENTS

None.