

BILL ANALYSIS AND FISCAL IMPACT REPORT
Taxation and Revenue Department

February 8, 2024

Bill: STBTC sub. for SB-151, as amended by SFC - revised **Sponsor:** Senator Pete Campos, Pat Woods, and Crystal Diamond Brantley

Short Title: Premium Tax to Emergency Services Fund

Description: The *Senate Tax, Business and Transportation Committee* substitute amends Section 7-1-6.62 NMSA 1978 to add a new distribution equal to 10% of the net receipts attributable to the premium tax from health insurance premiums to the Emergency Medical Services Fund. The bill also makes an appropriation of \$22 million from the general fund to the Emergency Medical Services Fund for expenditure in fiscal year 2025 and subsequent fiscal years.

The *Senate Finance Committee* amendment changes the distribution to 5% of the net receipts attributable to the premium tax from health insurance premiums. It also strikes the appropriation.

Effective Date: Effective date of Sections 1 and 2 is July 1, 2025.

Taxation and Revenue Department Analyst: Lucinda Sydow

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2024	FY2025	FY2026	FY2027	FY2028		
--	(\$2,900)	(\$10,900)	(\$11,200)	(\$11,600)	R	General Fund
--	\$2,900	\$10,900	\$11,200	\$11,600	R	Emergency Medical Services Fund

* In thousands of dollars. Parentheses () indicate a revenue loss. ** Recurring (R) or Non-Recurring (NR).

Methodology for Estimated Revenue Impact: The Taxation and Revenue Department (Tax & Rev) used the December 2023 Consensus Revenue Estimating Group (CREG) forecast for Insurance Premium and Surtax revenue to determine the impact of the change in distributions. Tax & Rev isolated the portion of health insurance premium revenue and applied the new 5% distribution to the Emergency Medical Services Fund. The last fiscal year quarterly payment is due July 15 and the revenue accrues back to June. An effective date of July 1, 2025 will impact the last quarterly payment in FY25 as the CREG’s December 2023 forecast assumes the impact of the change in distribution under current law.

Policy Issues: The distribution of revenue to a targeted Emergency Medical Services Fund and subsequent appropriations from the Fund may directly support municipal and county emergency services for budgeting for equipment and staffing. This would establish a consistent future fund balance for budgeting appropriations from these funds but would permanently divert gross receipts revenue from the General Fund and add complexity to Tax & Rev’s distributions. Decreased general fund revenue from this source will slightly increase volatility in overall General Fund revenue. The estimated loss of general fund in FY2025 is approximately 0.2% of the forecasted recurring General Fund revenue.

New Mexico’s tax code is out of line with most states in that more complex distributions are made through the tax code. As an alternative to this proposal and revenue earmarks, the premium tax could be distributed to the general fund and emergency medical services needs could be provided for through General Fund appropriations in HB2. The more complex the tax code’s distributions, the costlier it is for

Tax & Rev to maintain the GenTax system and the more risk is involved in programming changes.

Technical Issues: None.

Other Issues: None.

Administrative & Compliance Impact: Tax & Rev will update reports and make information system changes. Implementing this bill will have a moderate impact on Tax & Rev’s Information Technology Division (ITD) of approximately 550 hours or three months and \$30,525 of staff workload costs. Tax & Rev’s Administration Services Division (ASD) will require two existing FTE with 60 hours split between pay-band 70 and 80 positions to test the new distribution and amended reports. This will cost \$3,600 in ASD staff workload costs.

Estimated Additional Operating Budget Impact*				R or NR**	Fund(s) or Agency Affected
FY2024	FY2025	FY2026	3 Year Total Cost		
--	\$30.5	--	\$30.5	NR	Tax & Rev – ITD staff workload
--	\$3.6	--	\$3.6	NR	Tax & Rev – ASD staff workload

* In thousands of dollars. Parentheses () indicate a cost saving. ** Recurring (R) or Non-Recurring (NR).

Related Bills: Similar to HB-258