

**BILL ANALYSIS AND FISCAL IMPACT REPORT**  
**Taxation and Revenue Department**

**March 4, 2025**

**Bill:** SB-424

**Sponsor:** Senator Pat Woods

**Short Title:** Expand Rural Health Care Tax Credit

**Description:** This bill amends the rural health care tax credit to include respiratory care practitioners and polysomnographic technologists in the scope of healthcare practitioners eligible for the credit up to \$3,000.

**Effective Date:** Not specified; 90 days following adjournment (June 20, 2025). Applicable to taxable years beginning on or after January 1, 2025.

**Taxation and Revenue Department Analyst:** Sara Grubbs

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2025	FY2026	FY2027	FY2028	FY2029		
--	(\$320)	(\$320)	(\$320)	(\$320)	R	General 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 information provided in the New Mexico Health Care Workforce Committee (HCWC) annual report for 2024 to determine how many polysomnographic technologists in rural areas would be covered by the credit<sup>1</sup>. The New Mexico Department of Workforce Solutions publishes the number and annual wage of respiratory therapists. Tax & Rev assumes these taxpayers would qualify as respiratory care practitioners under Section 1(G)(1)(m). Tax & Rev estimates there are 94 polysomnographic technologists with an average annual salary of \$61,700<sup>2</sup> and 640 respiratory care practitioners earning \$68,700 per year in New Mexico.

Tax & Rev assumes that 23%, the state average for all healthcare practitioners, of the reported number of respiratory care practitioners and polysomnographic technologists practice in rural areas. Using a sample of taxpayers that have claimed the credit between 2016 and 2020, Tax & Rev has calculated that the ratio of practitioners claiming the credit between full-time and part-time credits to be 60:40. Tax & Rev then calculated the tax liability that would occur at each occupation’s annual salary.

**Policy Issues:** Personal income tax (PIT) represents a consistent source of revenue for many states. For New Mexico, PIT is approximately 16 percent of the state’s recurring general fund revenue. While this revenue source is susceptible to economic downturns, it is also positively responsive to economic expansions. New Mexico is one of 41 states, along with the District of Columbia, that impose a broad-based PIT (New Hampshire and Washington do not tax wage and salary income). Like several states, New Mexico computes its income tax based on the federal definition of taxable income and ties to other statutes in the federal tax code. This is referred to as “conformity” to the federal tax code. The PIT is an important tax policy tool that has the potential to further both horizontal equity ‘by ensuring the same

<sup>1</sup> New Mexico Health Care Workforce Committee. 2024 Annual Report. Albuquerque NM: University of New Mexico Health Sciences Center, 2024; New Mexico Regulation and Licensing Department (RLD) experienced a data breach in October 2022 and anticipates the absence of comprehensive data for the next one to two years. Some job numbers are from 2021.

<sup>2</sup> <https://www.ziprecruiter.com/Salaries/What-Is-the-Average-Polysomnographic-Technologist-Salary-by-State>

statutes apply to all taxpayers, and vertical equity, by ensuring the tax burden is based on taxpayers' ability to pay. By basing the credit on a profession, taxpayers in similar economic circumstances are no longer treated equally.

The proposed changes of the rural health care practitioner tax credit will continue to erode horizontal equity in state income taxes. By basing the credit on profession and location of work, taxpayers in similar economic circumstances are no longer treated equally. Thus, two dentists who earn the same salary may have different tax liability given where they work. The other side of this credit is the broader public good of subsidizing medical professional employment in rural areas for the betterment of New Mexico residents' quality of life in those areas. There are health, social, economic and environmental benefits gained by serving residents in their home communities versus those residents incurring travel costs, time commitment, and other burdens to travel long distances, or not receive care at all.

The New Mexico Health Care Workforce Committee has routinely made recommendations for the rural health practitioner tax credit. Recommendation 10 from the New Mexico Health Care Workforce Committee, 2024 Annual Report recommends increasing the Rural Health Care Practitioner Tax Credit program rates to be commensurate with inflation. By expanding the availability of the credit to an additional class of healthcare practitioners, it could incentivize the recruitment and retention of this type of healthcare professional to work in rural areas of the state, where residents are currently medically underserved.

The credit has no defined sunset date. Tax & Rev supports sunset dates for policymakers to review the impact of tax expenditures before extending them.

**Technical Issues:** None.

**Other Issues:** None.

**Administrative & Compliance Impact:** Tax & Rev will update forms, instructions and publications and make information system changes. Staff training to administer the credit will need to take place. This implementation will be included in the annual tax year changes.

**Related Bills:** Similar to SB-226 (2025 Regular Session), HB-163A (2024 Regular Session)