

**Bill Analysis and Fiscal Impact Report  
Taxation and Revenue Department**

**January 28, 2026**

**Bill:**  
HB-142

**Sponsor:**  
Representatives Sarah Silva and Anita Gonzales

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

**Description:**  
This bill renames the “Rural Health Care Practitioner Tax Credit” to the “Health Care Practitioner Tax Credit.” This name change reflects the bill’s refocusing on not just rural health care but also urban underserved health care. The proposed credit amount ranges from \$1,500 to \$10,000 based on the number of hours served, if the physician is also an emergency medical physician, and whether the health care services are in a rural or urban health care underserved area. The current credit amount ranges from \$1,500 to \$5,000 and the health care practitioners must be serving in a rural area. The definition of “rural” is changed to apply only to “a health care underserved area. “Urban” is defined as a metropolitan area that is designated as underserved area by the United States Department of Health.

**Effective Date, Applicability, and Contingency Language:**  
Not specified or 90 days following adjournment (May 20, 2026). Applicability – taxable years beginning on and after January 1, 2026.

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

**Estimated Revenue Impact\***

<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>FY29</b>	<b>FY30</b>	<b>Recurring or Non-Recurring</b>	<b>Fund(s) Affected</b>
--	(\$35,100)	(\$36,100)	(\$37,000)	(\$38,000)	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 U.S. Bureau of Labor Statistics’ (BLS) Occupational Employment and Wage Statistics (OEWS) to estimate the number of health care practitioners working in New Mexico as defined in section 1(H) of this bill. OEWS also provides the average income associated with each occupation. Tax & Rev estimates there are approximately 32,000 health care practitioners in New Mexico with average annual incomes ranging from \$31,000 to \$425,000.

According to the 2025 New Mexico Health Care Workforce Committee Annual Report, 23% of the state is considered rural. Tax & Rev used this percentage to estimate the number of health care practitioners as urban or rural health service providers. Tax & Rev has no straightforward way to identify the number of health care practitioners that would work in underserved urban locations and assumes 25% of urban health care practitioners would qualify.

Tax & Rev then estimated the number of eligible rural and urban health care practitioners by hours worked, assuming that health care practitioners that work at least 1,584 hours (or 1,440 hours for emergency medical physicians) are eligible for the full credit (at full time), and health care practitioners that work between 792 to 1,584 (or 720 to 1,440 hours for emergency medical physicians) are eligible for half credit (at part time).

According to the most recent Survey of America's Physicians, 9.9% of doctors work less than 30 hours per week<sup>1</sup>. Tax & Rev assumes this is part time. Approximately 12% of dentists also work part time<sup>2</sup>. Tax & Rev applied these percentages to the estimated number of urban health care practitioners. For rural health care practitioners, Tax & Rev used a sample of taxpayers that have claimed this credit between 2016 and 2020 and calculated that the ratio of practitioners claiming this credit between full-time and part-time credits to be 60:40. Tax & Rev estimates there are approximately 9,300 full-time and 3,400 part-time eligible health care practitioners.

Tax & Rev then calculated the estimated tax liability for each health care practitioner occupation using 2025 personal income tax (PIT) brackets, married filing joint, using the average income for full time and half for part time. If the tax liability was less than the credit, then the tax liability was incorporated into the estimation. If the tax liability was greater than the credit, then the credit amount was incorporated into the estimation.

For most health care practitioner occupations as defined in section 1(B), the tax liability exceeds the credit, and this fiscal impact is held constant for FY2027 to FY2030. The tax liability for most health care practitioner occupations eligible under Section 1(C) did not exceed the credit. As such, Tax & Rev applied a wage and salary growth rate using the University of New Mexico's Bureau of Business and Economic Research (BBER) January 2026 forecast for this portion of the fiscal impact. Lastly, to estimate the fiscal impact of this bill compared to the current rural health care tax credit, Tax & Rev netted this estimate to the FY2025 expenditure of the rural health care practitioner credit against PIT as reported in the 2025 Tax Expenditure Report<sup>3</sup>.

Approximately 50% of the fiscal impact is attributable to the expansion of this credit for health care practitioners that work in underserved urban locations.

### **Policy Issues:**

New Mexico's health care system needs to ensure all New Mexican's have affordable and reliable health care. Recruiting and retaining the healthcare workforce is one of the most considerable challenges facing our state. The challenge for New Mexico is to control the cost of maintaining its healthcare workforce while preserving high-quality patient care. Theoretically, lower effective tax rates might actively minimize the tax burden for healthcare practitioners through tailored tax incentives, thereby helping recruit and retain healthcare workers. However, a study found that the national shortage of healthcare workers is related to factors such as career advancement opportunities, job-related stress, and burnout. At the same time, the tax burden was not among the reasons<sup>4</sup>.

A National Institute of Health's (NIH) National Center for Biotechnology Information study predicts that nationwide, the demand for doctors will outpace the supply so that by 2030, 34 states will have physician shortages. This study indicated that of the 34 states with physician shortage, New Mexico was identified having the severest shortage. This study predicts a shortage of 2,118 physicians in New Mexico by 2030 due in part to a higher percentage of physicians over 60 years of age compared to other states. Without a nationwide solution, New Mexico will continue to compete with these 34 states for a smaller pool of physicians. It is unclear whether the enhanced credit of this bill will directly increase healthcare worker recruitment and improve the present challenges NM faces in the rural and urban underserved areas of the state.

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<sup>1</sup>The Physicians Foundation, 2018 Survey of America's Physicians: Practice Patterns & Perspectives, [www.physiciansfoundation.org](http://www.physiciansfoundation.org)

<sup>2</sup> <https://www.dentaleconomics.com/practice/article/16391656/dental-workforce-trends-and-the-future-of-dental-practices>

<sup>3</sup> See <https://www.tax.newmexico.gov/forms-publications/>

<sup>4</sup> <https://www.healthaffairs.org/doi/10.1377/hlthaff.2022.01251>

PIT represents a consistent source of revenue for many states. For New Mexico, PIT is approximately 16% 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 adjusted gross income (AGI) 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 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.

While tax incentives can support specific industries or promote desired social and economic behaviors, the growing number of these incentives complicate the tax code. Introducing more tax incentives has two main consequences: (1) it creates special treatment and exceptions within the code, leading to increased tax expenditures and a narrower tax base, which negatively impacts the general fund; and (2) it imposes a heavier compliance burden on both taxpayers and Tax & Rev. This proposal adds additional gross receipts eligible to be deducted under Section 7-9-93 NMSA 1978 increasing complexity for taxpayers and the administration of the tax code. Increasing complexity and exceptions in the tax code is generally not in line with sound tax policy.

The tax credit does not include a sunset date. Tax & Rev supports sunset dates for policymakers to review the impact of a credit or other tax incentive before extending it if a sufficient timeframe is allotted for tax incentives to be measured.

**Technical Issues:**

None.

**Other Issues:**

[Section 1] Page 5, Lines 5-15. The health care practitioners eligible for this credit are unlikely to benefit from these higher credit amounts because their tax liability will be too low. The credit remains non-refundable, but does have a three-year carryforward, so many lower-income health care practitioners may be unable to use the full value of the increased credit amounts. The carried-forward amounts are unlikely to be used by these individuals because they will qualify for the credit the next tax year as well.

**Administrative & Compliance Impact:**

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

Implementing this bill will have a moderate impact on Tax & Rev's Information Technology Division (ITD), requiring approximately 480 hours or 3 months, and \$33,221 of staff workload costs.

**Estimated Additional Operating Budget Impact\***

<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>3 Year Total Cost</b>	<b>Recurring or Non-Recurring</b>	<b>Fund(s) or Agency Affected</b>
--	\$33.2	--	\$33.2	NR	ITD - Staff workload costs

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