Bill Analysis and Fiscal Impact Report
Taxation and Revenue Department

February 5, 2026

Bill:
HB-249

Sponsor:
Representatives Jenifer Jones and Pamelya Herndon

Short Title:
Electronic Medical Records Tax Credit

Description:
This bill creates the Electronic Medical Records Tax Credit. The credit is a new personal income tax (PIT) credit for payments made by a health care practitioner for an electronic medical records system used in health care institutions. An electronic medical record system is defined as a digital records system used to document the health care information of a health care practitioner's patient.

The credit is equal to the payments made for the medical records system but the amount of the credit claimed cannot exceed $6,000 in any a taxable year. The health care practitioner must provide at least 1,580 hours of health care in the year, provide services in a health care institution with 10 or less health care practitioners, and maintain a record of the payments made that are made available to review at the request of the Department of Health (DOH) or the Taxation and Revenue Department (Tax & Rev).

DOH certifies eligibility for the tax credit. A taxpayer who claims the rural health care practitioner tax credit is not eligible for this credit.

The credit has a sunset date of January 1, 2031.

Effective Date, Applicability, and Contingency Language:
Not specified or 90 days following adjournment (May 20, 2026). Applicability – The provisions of this act apply to the taxable years beginning on or after January 1, 2026.

Taxation and Revenue Department Analyst:
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Estimated Revenue Impact*

FY26	FY27	FY28	FY29	FY30	Recurring or Non-Recurring	Fund(s) Affected
--	($33,600)	($33,600)	($33,600)	($33,600)	NR	General Fund

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

Methodology for Estimated Revenue Impact:
A health care practitioner cannot claim this credit and the rural health care practitioner tax credit (RHCPTC). Because a taxpayer cannot claim both credits, Tax & Rev assumed that taxpayers located in rural areas are assumed to have a stronger incentive to claim the RHCPTC and therefore not claim the credit proposed in this bill. Because of this assumption, Tax and Rev's methodology is based on taxpayers in non-rural areas.

To estimate the number of taxpayers in non-rural areas, Tax & Rev used data from the Bureau of Labor Statistics (BLS) Quarterly Census of Employment and Wages (QCEW) survey to find that the share of

establishments with 10 or fewer employees observed across all industries is approximately 80%. Tax & Rev then assumes New Mexico health care establishments with 10 or fewer health care practitioners is similar to the share of establishments with 10 or fewer employees observed across all industries. Tax & Rev estimates the number of potentially eligible establishments in urban dominated counties using establishment NAICS Code 62 (Health Care and Social Assistance) in the counties of Bernalillo, Doña Ana, Sandoval, Santa Fe, and San Juan. The data indicates that these counties have approximately 5,600 health care facilities with 10 or fewer health care practitioners.

Tax & Rev assumes that for each small health care practice of 10 or less employees, there will be one primary taxpayer who will claim the credit. Tax & Rev used the U.S. Bureau of Labor Statistics' (BLS) Occupational Employment and Wage Statistics (OEWS) to estimate the average income associated with health-care practitioner specialties listed in the bill. BLS statistics showed an annual income range from $248,350 to $400,000. The tax liability of a health practitioner with income in the low range is over the $6,000 maximum credit amount, regardless of filing status.

Thus, all eligible practitioners with a small practice would have sufficient liability in one tax year to claim the entire $6,000 credit. According to EHRinPractice[1], which aggregates industry research on electronic health records costs, practices spend on average $1,200 per year per user on their electronic medical record system, paying more per user than larger practices that benefit from economies of scale. For a typical small practice with three physicians and four support staff, annual system costs alone would reach approximately $8,400; and factoring in training, data migration, and support payments, total annual costs exceed $10,000. Based on the estimates, Tax & Rev assumes that the eligible practices will claim at the maximum amount, with an average of $6,000 per practice every tax year. Tax & Rev assumes the same number of eligible taxpayers every year for the fiscal impact outlook.

Policy Issues:

New Mexico continues to face persistent healthcare workforce and provider shortages. Materials from the Legislative Finance Committee[2] note that 32 of 33 New Mexico counties have some combination of Health Professional Shortage Area (HPSA) designations, and that HPSA data is used as a guide for provider recruitment and incentive programs. A New Mexico Medical Society presentation[3] to the Legislative Health and Human Services Committee reported that since 2013, New Mexico has lost 308 primary care physicians, 37 OB-GYNs, and 20 general surgeons (among other categories). These shortages can contribute to longer wait times, reduced access, and higher pressure on remaining practitioners.

At the same time, Tax & Rev has concerns regarding the credit. The bill defines "electronic medical records system" broadly, and qualifying costs (e.g., subscription vs. implementation vs. maintenance) may require additional guidance to ensure consistent certification and auditability.

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" and ties to other statues 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.

[1] https://www.ehrinpractice.com/ehr-cost-and-budget-guide.html
[2] https://www.nmlegis.gov/handouts/LHHS%20062525%20Item%204%20Health%20Care%20Workforce.pdf
[3] https://www.nmlegis.gov/handouts/LHHS%20071023%20Item%208%20NMMS.pdf

While tax incentives can support specific industries or promote desired social and economic behaviors, the growing number of such incentives complicates 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. Increasing complexity and exceptions in the tax code is generally not in line with sound tax policy.

The proposed bill erodes horizontal equity in state income taxes. By basing the credit on a profession and their associated costs, taxpayers in similar economic circumstances are no longer treated equally. This tax credit does include a sunset date. Tax & Rev supports sunset dates for policymakers to review the impact of tax expenditures to evaluate the credit.

Technical Issues:
Tax & Rev suggests adding on page 3, line 4, "and tax year" after the word "credit" so that it reads: "providing the amount of tax credit and tax year for which the taxpayer is", so that it is clear what tax year the credit may be applied to.

On page 3 in subsection (E), the proposal restricts the use of the credit if the taxpayer has claimed the RHCPTC but does not clarify if the restriction is for the same tax year, or if the taxpayer can never take this proposed credit if the taxpayer has ever taken the rural health care practitioner credit. Tax & Rev suggests clarifying the proposal to restrict the two credits in the same tax year by adding on page 3, line 10 after the word credit, "for the same tax year" so that it reads "practitioner tax credit for the same tax year shall not be eligible for the…"

On page 4, the bill provides a definition of "health care institution," which is the definition used in the Uniform Health Care Decision Act. For purposes of health-based credits in the personal income tax, the credits use the term "health care facility" as "a hospital, outpatient facility diagnostic and treatment center, freestanding hospice or other similar facility at which medical care is provided." For uniformity purposes, Tax & Rev suggests using this definition.

Other Issues:
Tax & Rev notes that the definition of "electronic medical records system" is vague and could apply to a large range of products from Microsoft Excel to sophisticated commercial patient medical record systems. The loose definition could be used to stack different software products that a clinic may purchase or lease in one year so as to reach the maximum amount of $6,000 per year.

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.

For Tax & Rev's Administrative Services Division (ASD), implementing this bill will require two existing FTEs 40 hours, split between pay-band eight and 10 positions. Pay band eight hours are estimated at time and ½ due to the extra hours worked to implement this bill.

This bill will have a moderate impact on Tax & Rev's Information Technology Division (ITD), approximately 480 hours or three months and $33,220 of staff workload costs. The estimate includes an electronic data exchange between Tax & Rev and Department of Health (DOH).

Estimated Additional Operating Budget Impact*

FY26	FY27	FY28	3 Year Total Cost	Recurring or Non-Recurring	Fund(s) or Agency Affected
--	$2.7	--	$2.7	NR	ASD – Staff workload
--	$33.2	--	$33.2	NR	ITD – Staff workload

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