Bill Analysis and Fiscal Impact Report
Taxation and Revenue Department

January 22, 2026

Bill:
SB-13

Sponsor:
Senators Natalie Figueroa, Jeff Steinborn, and Pete Campos

Short Title:
Health Care Gross Receipts Deduction

Description:
This bill amends the gross receipts tax (GRT) deduction under Section 7-9-93 NMSA 1978 to include coinsurance in addition to the current copayment or deductibles and removes the fixed dollar requirement. The bill extends the GRT deduction sunset date from prior to July 1, 2028, to July 1, 2031, with the inclusion of coinsurance. The Health Care Code replaces the Public Health Act for the licensing.

Effective Date, Applicability, and Contingency Language:
July 1, 2026

Taxation and Revenue Department Analyst:
Pedro Clavijo

Estimated Revenue Impact*

FY26	FY27	FY28	FY29	FY30	Recurring or Non-Recurring	Fund(s) Affected
--	($18,900)	($19,700)	($35,500)	($36,300)	R	General Fund
--	($20,500)	($21,300)	($38,200)	($39,100)	R	Local Governments
--	($5,800)	($4,900)	($6,800)	($4,800)	R	General Fund – Hold Harmless distributions under 7-1-6.46 and 7-1.6.47 NMSA 1978
--	$5,800	$4,900	$6,800	$4,800	R	Local Governments – Hold Harmless distributions under 7-1-6.46 and 7-1.6.47 NMSA 1978

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

Methodology for Estimated Revenue Impact:
This bill expands the current GRT deduction under Section 7-9-93 NMSA 1978 to include certain health receipts to coinsurance payments by patients made directly to the provider. Deductibles and co-payments are already deductible from gross receipts and represent an amount a patient must pay at the time medical services are received, with the remainder being covered by the insurance provider. Coinsurance represents the amount that a patient must pay after the deductible is satisfied.

The Taxation and Revenue Department (Tax & Rev) used data from the RP80 GRT report for FY2025 and retrieved taxable GRT by NAICS codes in the associated health practitioner fields to identify the proportion of taxpayers that might claim the deduction. Then, Tax & Rev used data from the Centers for Medicare & Medicaid Services on private health expenditures in New Mexico, 1991-2020, to estimate the tax base. An

average percentage of 30% on coinsurance for the patient is also applied.[1] The fiscal impact was grown using the average annual percentage growth of private health expenditures from 1991 to 2020. The statewide effective GRT rate for Health Care services was applied to the forecast for the fiscal impact that includes the effects of this deduction on the distributions to municipalities, pursuant to Section 7-1-6.4 NMSA 1978, as the majority of the taxable base is in municipalities. The fiscal impact also accounts for the impact of the partial hold harmless payments to municipalities and counties per Sections 7-1-6.46 and 7-1.6.47 NMSA 1978 based on the estimated fiscal impact. The current Consensus Revenue Estimating Group's (CREG) December 2025 forecast accounts for a revenue increase from the current sunsetting of this deduction on July 1, 2028. The revenue impact for fiscal years 2029 and 2030 includes the loss of revenue from the sunset extension from July 1, 2028, to July 1, 2031.

Policy Issues:
Rising health care spending is one of the most considerable fiscal challenges facing state governments and patients who cope with growing medical costs. Hence, any fiscal incentive to reduce health care costs will positively affect health care consumers by reducing healthcare spending. Studies have shown that low health care spending by individuals contributes to increasing disposable income for workers, boosting job growth. Lower health care spending also affects state and local budgets because it results in lower health insurance spending for state and local government employees, and these deductions and the lost tax revenue will ease the governments costs of health insurance spending.

While tax incentives can support specific industries or promote desired social and economic behaviors, the growing number of such 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 National Institute of Health's (NIH) National Center for Biotechnology Information published a study that predicts that nationwide the demand for doctors will outpace the supply so that by 2030, 34 states will have physician shortages. This shortage is more prominent for states in the South and West regions of which Mississippi and New Mexico will have the severest shortage. Their 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. It is unclear how the deductions of this bill will directly reduce patient costs and improve the present challenges the U.S. health system faces. Furthermore, diverting resources from the General Fund to allow almost every payment to a healthcare practitioner to be subject to a deduction from GRT implies tradeoffs that might limit the State's capacity to invest in expanding healthcare access.

Technical Issues:
None.

Other Issues:
None.

Administrative & Compliance Impact:
Tax & Rev will update forms, instructions, and publications.

[1] https://www.uhc.com/understanding-health-insurance/understanding-health-insurance-costs/types-of-health-insurance-costs