

HOUSE TAXATION AND REVENUE COMMITTEE SUBSTITUTE FOR  
HOUSE BILL 338

**57TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2026**

AN ACT

RELATING TO TAXATION; PROVIDING A GROSS RECEIPTS TAX DEDUCTION FOR RECEIPTS FROM COINSURANCE TO A HEALTH CARE PRACTITIONER OR AN ASSOCIATION OF HEALTH CARE PRACTITIONERS; PROVIDING A HOLD HARMLESS DISTRIBUTION TO MUNICIPALITIES AND COUNTIES FOR THE DEDUCTION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. A new section of the Tax Administration Act is enacted to read:

"[NEW MATERIAL] DISTRIBUTION TO HOLD HARMLESS MUNICIPALITIES AND COUNTIES FROM A GROSS RECEIPTS TAX DEDUCTION FOR RECEIPTS FROM COINSURANCE TO A HEALTH CARE PRACTITIONER OR AN ASSOCIATION OF HEALTH CARE PRACTITIONERS.--

A. A distribution pursuant to Section 7-1-6.1 NMSA 1978 shall be made to a municipality in an amount, subject to

.233913.1

underscored material = new  
[bracketed material] = delete

1 any increase or decrease made pursuant to Section 7-1-6.15 NMSA  
2 1978, equal to the total deductions claimed pursuant to Section  
3 2 of this 2026 act for the month by taxpayers from business  
4 locations in the municipality multiplied by the sum of the  
5 combined rate of all municipal local option gross receipts  
6 taxes in effect in the municipality for the month plus one and  
7 two hundred twenty-five thousandths percent.

8 B. A distribution pursuant to Section 7-1-6.1 NMSA  
9 1978 shall be made to a county in an amount, subject to any  
10 increase or decrease made pursuant to Section 7-1-6.15 NMSA  
11 1978, equal to the total deductions claimed pursuant to Section  
12 2 of this 2026 act for the month by taxpayers from business  
13 locations:

14 (1) within a municipality in the county  
15 multiplied by the combined rate of all county local option  
16 gross receipts taxes in effect for the month that are imposed  
17 throughout the county; and

18 (2) in the county but not within a  
19 municipality multiplied by the combined rate of all county  
20 local option gross receipts taxes in effect for the month that  
21 are imposed in the county area not within a municipality."

22 SECTION 2. A new section of the Gross Receipts and  
23 Compensating Tax Act, Section 7-9-93.1 NMSA 1978, is enacted to  
24 read:

25 "7-9-93.1. [NEW MATERIAL] DEDUCTION--GROSS RECEIPTS--

.233913.1

1 RECEIPTS FROM COINSURANCE TO A HEALTH CARE PRACTITIONER OR AN  
2 ASSOCIATION OF HEALTH CARE PRACTITIONERS.--

3 A. Prior to July 1, 2031, receipts from coinsurance  
4 paid by an insured or enrollee to a health care practitioner or  
5 an association of health care practitioners for commercial  
6 contract services pursuant to the terms of the insured's health  
7 insurance plan or enrollee's managed care health plan may be  
8 deducted from gross receipts if the services are within the  
9 scope of practice of the health care practitioner providing the  
10 service.

11 B. The deduction provided by this section shall be  
12 applied only to gross receipts remaining after all other  
13 allowable deductions available under the Gross Receipts and  
14 Compensating Tax Act have been taken.

15 C. A taxpayer allowed a deduction pursuant to this  
16 section shall report the amount of the deduction separately in  
17 a manner required by the department.

18 D. The deduction provided by this section shall be  
19 included in the tax expenditure budget pursuant to Section  
20 7-1-84 NMSA 1978 with an analysis of the cost of the  
21 deductions.

22 E. As used in this section:

23 (1) "association of health care practitioners"  
24 means a corporation, an unincorporated business entity or other  
25 legal entity organized by, owned by or employing one or more

.233913.1

1 health care practitioners; provided that the entity is not:

2 (a) an organization granted exemption  
3 from the federal income tax by the United States commissioner  
4 of internal revenue as organizations described in Section  
5 501(c)(3) of the United States Internal Revenue Code of 1986,  
6 as that section may be amended or renumbered; or

7 (b) a health maintenance organization, a  
8 hospital, a hospice, a nursing home or an entity that is solely  
9 an outpatient facility or intermediate care facility licensed  
10 pursuant to the Health Care Code;

11 (2) "commercial contract services" means  
12 health care services performed by a health care practitioner  
13 pursuant to a contract with a managed care organization or  
14 health care insurer other than those health care services  
15 provided for medicare patients pursuant to Title 18 of the  
16 federal Social Security Act or for medicaid patients pursuant  
17 to Title 19 or Title 21 of the federal Social Security Act;

18 (3) "coinsurance" means an amount that a  
19 health care insurer or managed care health plan requires an  
20 insured or enrollee to pay upon incurring an expense for  
21 receiving medical services. "Coinsurance" does not mean  
22 "copayment" as defined in Section 7-9-93 NMSA 1978;

23 (4) "health care insurer" means a person that:

24 (a) has a valid certificate of authority  
25 in good standing pursuant to the New Mexico Insurance Code to

1 act as an insurer, a health maintenance organization or a  
2 nonprofit health care plan or prepaid dental plan; and

3 (b) contracts to reimburse licensed  
4 health care practitioners for providing basic health services  
5 to enrollees at negotiated fee rates;

6 (5) "health care practitioner" means:

7 (a) a chiropractic physician licensed  
8 pursuant to the provisions of the Chiropractic Physician  
9 Practice Act;

10 (b) a dentist or dental hygienist  
11 licensed pursuant to the Dental Health Care Act;

12 (c) a doctor of oriental medicine  
13 licensed pursuant to the provisions of the Acupuncture and  
14 Oriental Medicine Practice Act;

15 (d) an optometrist licensed pursuant to  
16 the provisions of the Optometry Act;

17 (e) an osteopathic physician licensed  
18 pursuant to the provisions of the Medical Practice Act;

19 (f) a physical therapist licensed  
20 pursuant to the provisions of the Physical Therapy Act;

21 (g) a physician or physician assistant  
22 licensed pursuant to the provisions of the Medical Practice  
23 Act;

24 (h) a podiatric physician licensed  
25 pursuant to the provisions of the Podiatry Act;

.233913.1

1 (i) a psychologist licensed pursuant to  
2 the provisions of the Professional Psychologist Act;

3 (j) a registered lay midwife registered  
4 by the department of health;

5 (k) a registered nurse or licensed  
6 practical nurse licensed pursuant to the provisions of the  
7 Nursing Practice Act;

8 (l) a registered occupational therapist  
9 licensed pursuant to the provisions of the Occupational Therapy  
10 Act;

11 (m) a respiratory care practitioner  
12 licensed pursuant to the provisions of the Respiratory Care  
13 Act;

14 (n) a speech-language pathologist or  
15 audiologist licensed pursuant to the Speech-Language Pathology,  
16 Audiology and Hearing Aid Dispensing Practices Act;

17 (o) a professional clinical mental  
18 health counselor, marriage and family therapist or professional  
19 art therapist licensed pursuant to the provisions of the  
20 Counseling and Therapy Practice Act who has obtained a master's  
21 degree or a doctorate;

22 (p) an independent social worker  
23 licensed pursuant to the provisions of the Social Work Practice  
24 Act; and

25 (q) a clinical laboratory that is

1 accredited pursuant to 42 U.S.C. Section 263a but that is not a  
2 laboratory in a physician's office or in a hospital defined  
3 pursuant to 42 U.S.C. Section 1395x;

4 (6) "managed care health plan" means a health  
5 care plan offered by a managed care organization that provides  
6 for the delivery of comprehensive basic health care services  
7 and medically necessary services to individuals enrolled in the  
8 plan other than those services provided to medicare patients  
9 pursuant to Title 18 of the federal Social Security Act or to  
10 medicaid patients pursuant to Title 19 or Title 21 of the  
11 federal Social Security Act; and

12 (7) "managed care organization" means a person  
13 that provides for the delivery of comprehensive basic health  
14 care services and medically necessary services to individuals  
15 enrolled in a plan through its own employed health care  
16 providers or by contracting with selected or participating  
17 health care providers. "Managed care organization" includes  
18 only those persons that provide comprehensive basic health care  
19 services to enrollees on a contract basis, including the  
20 following:

- 21 (a) health maintenance organizations;
- 22 (b) preferred provider organizations;
- 23 (c) individual practice associations;
- 24 (d) competitive medical plans;
- 25 (e) exclusive provider organizations;

.233913.1

- 1 (f) integrated delivery systems;
- 2 (g) independent physician-provider
- 3 organizations;
- 4 (h) physician hospital-provider
- 5 organizations; and
- 6 (i) managed care services
- 7 organizations."

8 SECTION 3. EFFECTIVE DATE.--The effective date of the  
9 provisions of this act is July 1, 2026.