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## FISCAL IMPACT REPORT

	<b>ORIGINAL DATE</b> 1/23/06		<b>LAST UPDATED</b> 2/10/06		<b>HB</b> 8/aHBIC/aHTRC
<b>SPONSOR</b>	Campos	<b>HEALTH FACILITY CONSTRUCTION GROSS</b>			
<b>SHORT TITLE</b>	RECEIPTS			<b>SB</b>	
				<b>ANALYST</b>	Schardin

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	(412.0)	(421.0)	Recurring	General Fund
	(275.0)	(280.0)	Recurring	Local Governments

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates SB200

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment to House Bill 8 clarifies the section heading on page 1 of the bill so that the new gross receipts tax deduction for engineering, architectural and new facility construction services will only apply to “certain” public health facilities.

#### Synopsis of HBIC Amendment

The House Business and Industry Committee amended House Bill 8 so that the new gross receipts tax deductions contained in the bill will only apply to construction of new hospitals, not to renovations to existing hospitals.

#### Synopsis of Original Bill

House Bill 8 creates two new deductions from the gross receipts tax that apply to construction of a sole community provider hospital in a federally designated health professional shortage area.

The first deduction is for receipts from engineering, architectural and construction services used to construct such a hospital. The second deduction is for receipts from the sale of construction equipment and materials used to construct such a hospital.

To qualify for these deductions, the services, equipment or materials must be sold to a foundation or nonprofit organization that has signed a written agreement with a county to pay at least 95 percent of the hospital construction costs.

The effective date of these provisions is July 1, 2006.

### **FISCAL IMPLICATIONS**

The House Business and Industries Committee amendment limits the new deductions to construction of “new facilities.” This amendment reduced the fiscal impact of House Bill 8 significantly. TRD’s amended fiscal impact estimate assumes \$10 million per year of new hospital construction per year. TRD estimates that the new deductions will decrease general fund revenue by about \$412 thousand per year, and decrease local government revenue by about \$275 thousand per year.

### **SIGNIFICANT ISSUES**

The U.S. Public Health Service Act defines a “health professional shortage area” as an area which the federal Health and Human Services Department determines to have a shortage of health professionals. Areas with less than one physician per 3,500 people can receive a health professional shortage designation. The restriction that a hospital eligible for these new deductions is built in a “federally designated health professional shortage area disqualifies only two counties in New Mexico.

The deductions could apply to new construction as well as renovation of a hospital.

### **TECHNICAL ISSUES**

The terms “health professional shortage area” and “sole community provider hospital” are not defined. If these terms are federally defined, federal definitions should be cited. In addition, “nonprofit” and “foundation” should be defined to avoid confusion.

The bill requires that a nonprofit or foundation sign a written agreement with a county to pay at least 95 percent of construction costs. First, it is unclear if the bill should be amended so that the nonprofit or foundation agrees to pay at least 95 percent of engineering, architectural and construction costs. Second, the bill should explain what will happen if a nonprofit or foundation does not fulfill its written agreement to pay at least 95 percent of costs.

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