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FISCAL IMPACT REPORT

ORIGINAL DATE 2/2/06

SPONSOR Sandoval LAST UPDATED _____ HB 424

SHORT TITLE Health Care Practitioner Gross Receipts SB _____

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	(716.0)	(774.0)	Recurring	General Fund
	(477.0)	(516.0)	Recurring	Local Govern- ments

(Parenthesis () Indicate Expenditure Decreases)

Related to HB603, HB325, and SB29.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)
 Department of Health (DOH)
 Health Policy Commission (HPC)

SUMMARY

Synopsis of Bill

House Bill 424 expands a gross receipts tax deduction for the receipts of certain health care practitioners from third-party administrators of Medicare and the federal TRICARE program. The deduction would be expanded to include doctors of oriental medicine, athletic trainers, chiropractic physicians, counselor and therapist practitioners, dentists, massage therapists, naprapaths, nurses, nutritionists, dieticians, occupational therapists, optometrists, pharmacists, physical therapists, psychologists, radiologic technologists, respiratory care practitioners, audiologists, and speech-language pathologists.

The bill also provides definitions of these fields of health care.

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

FISCAL IMPLICATIONS

TRD reports that about 16 percent of New Mexicans receive health insurance through Medicare. Gross receipts information from TRD's Report 80, "Analysis of Gross Receipts by North American Industry Classification System" was examined for the types of practitioners included in this bill. Gross receipts tax revenue is expected to fall by \$1,193 thousand. About 60 percent of this revenue loss will accrue to the general fund, while 40 percent will be to local governments. Since health insurance costs and the state's aging population are expected to grow quickly, the costs of this deduction should also be expected to grow quickly.

SIGNIFICANT ISSUES

HPC and DOH report that eliminating the gross receipts tax burden on these types of health care practitioners will assist the state in recruiting and retaining them because health care practitioners do not pay a gross receipts tax in most other states.

According to HPC, the relative shortage or surplus of each type of health practitioner in New Mexico should be considered when expanding this deduction. HPC reports that in 2000, New Mexico ranked 49th in the nation in dentists per capita. However, New Mexico ranked first in the nation in occupational therapists per capita.

ADMINISTRATIVE IMPLICATIONS

The bill will have a moderate administrative impact on TRD. The department will recode systems, revise instructions and forms, prepare taxpayer education materials, and train personnel. These changes can be accomplished with existing resources.

OTHER SUBSTANTIVE ISSUES

Deducting receipts from high-growth sectors such as health care from the existing tax base makes it harder for tax revenue growth to keep pace with inflation.

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