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## FISCAL IMPACT REPORT

**ORIGINAL DATE**  
**LAST UPDATED** 8/16/08     **HB** \_\_\_\_\_

**SPONSOR**     Rawson

**SHORT TITLE**     Medical-Record Equipment Tax Credit     **SB** 13

**ANALYST**     White

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### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
(\$1.00)	(\$1,000.0-\$19,000.0)	(\$1,000.0-\$19,000.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to House Bill 5

### SOURCES OF INFORMATION

LFC Files

#### No Response Received From

Taxation and Revenue Department (TRD)

Human Services Department (HSD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 13 creates a credit against personal income tax liability for the purchase of equipment necessary for the processing, storage and transmittal of patient medical records in electronic format in an amount equal to the cost of that equipment. The credit may be deducted from the taxpayer's income tax liability for the taxable year in which the equipment was purchased and the four succeeding taxable years. The credit for a single taxable year shall not exceed twenty percent of the total cost of the equipment. Any individual who claims this credit for equipment owned by a business association can only claim a credit in proportion to the individual's interest in the business association.

## **FISCAL IMPLICATIONS**

There are currently over 7,200 licensed physicians in New Mexico, however, of those 7,200 only 3,858 who currently provide patient care. Preliminary studies have estimated the cost of implementing appropriate medical records technology in a single office at approximately \$25,000. This number however relies heavily on the size of the office and the number of patients who are provided service, and therefore may fluctuate significantly. If this \$25,000 equipment cost were deducted by a single taxpayer, they could potentially receive a \$5,000 credit annually for up to five years. In a worst case scenario, if all 3,858 practicing physicians received a \$5,000 credit the state would suffer a loss of over \$19,000,000 in personal income tax revenues. It is difficult to estimate an exact revenue impact however because the average cost of medical records equipment can fluctuate. It is also difficult to estimate how many physicians will implement new systems due to this legislation given that a number of them already have records systems in place.

## **SIGNIFICANT ISSUES**

The maintenance of proper medical records is an important part of providing proper medical care. A recent report by the New Mexico Health Policy Commission (HPC) noted that one of the major barriers to the implantation of proper medical record technology systems by physicians is the significant capital costs associated with them. This bill would lessen those costs by providing a tax credit equal to the cost of implementation, processing, storage, and physical equipment associated with these systems.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

This bill relates to and in some cases duplicates parts of House Bill 5.

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

If this bill is not enacted New Mexico physicians will not have as much incentive to implement newer and more efficient medical records systems which could result in patients receiving less efficient medical care.

DW/mt