F I S C A L I M P A C T R E P O R T

ORIGINAL DATE 01/31/11
SPONSOR Cisneros **LAST UPDATED** 03/13/11 **HB**

SHORT TITLE Dialysis Facility Services Gross Receipts **SB** 178/aSCORC/aSFC

ANALYST Golebiewski

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	**FY12**	**FY13**		
		($284.0)	Recurring	Local Governments
		($342.0)	Recurring	General Fund
		($626.0)	Recurring	Total

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department
Department of Health

SUMMARY

Synopsis of SFC Amendment

The amendment by the Senate Finance Committee strikes SCOR amendments 2 and 3 and replaces them with a similar phase-in schedule that begins in FY13.

Fiscal Implications of SFC Amendments

The SFC Amendment does not change the calculation of impact, but delay the impact by 1 year. The impacts will begin in FY13.

Synopsis of SCORC Amendments

The amendment by the Senate Corporations and Transportation Committee introduces a gradual phase-in of the deduction: 1/3 of receipts would be deductible in FY12, 2/3 would be deductible in FY13, and after FY13, 100% would be deductible.

Fiscal Implications of SCORC Amendments

The amendment by the Senate Corporations and Transportation Committee introduces a gradual phase-in of the deduction. This is reflected in the estimates above.

Summary of Original Bill

Senate Bill 178 expands the gross receipts tax deduction under Section 7-9-77.1 NMSA 1978. It would make receipts of dialysis facilities for services provided to Medicare beneficiaries deductible.

FISCAL IMPLICATIONS

TRD:

According to the Dialysis Patient Citizens organization, there are 2,604 dialysis patients in New Mexico. There are 37 dialysis centers in New Mexico: 20 of which would qualify for the deduction. Correspondingly, the proportion of chairs in private dialysis centers to the total number of chairs is 62.44%, so the estimates are adjusted by this proportion. This revenue estimate also uses information from the United States Renal Data System and assumes that 75% of individuals undergoing hemodialysis or peritoneal dialysis are primarily insured through Medicare and the average annual Medicare spending per patient is $20,000.

SIGNIFICANT ISSUES

TRD:

This proposal will further narrow the gross receipts tax base. This proposal would move New Mexico away from the tax policy goal of a gross receipts tax with a broad equitable base and a low rate.

Taken in the context of 7-9-77.1, many other medical providers are enumerated to be able to deduct receipts from Medicare beneficiaries. Dialysis facilities are not specifically noted in current statute and are therefore excluded from this deduction.

ADMINISTRATIVE IMPLICATIONS

TRD:

Small impact to the Department: Revise instructions and publications related to the CRS tax program for the second half of 2011 at minimal costs. Create a special notice for distribution to qualifying dialysis facilities. Audit and compliance procedures to develop.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 178 is identical to HB 190.

OTHER SUBSTANTIVE ISSUES

TRD:

The due date of the deduction increases the impact of implementation. Additional time is needed for a smooth and less costly implementation primarily due to high taxpayer education needs. An additional publication of the deduction information would be needed because the Combined Reporting System (CRS) instructions have already been published. An effective date of the first of January or July, would reduce this extra cost.

JAG/bym:mew