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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 142

SHORT TITLE: Rural Health Care Tax Credit Changes

SPONSOR: Silva/Gonzales

LAST UPDATE: 1/29/2925 **ORIGINAL DATE:** 1/27/2026 **ANALYST:** Francis

REVENUE*
(dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
PIT		($48,260.0)	($48,260.0)	($48,260.0)	($48,260.0)	Recurring	General fund

Parentheses indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD		$33.2			Recurring	General fund

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Conflicts with House Bill 143
Relates to Senate Bill 12

Sources of Information

LFC Files

Agency or Agencies Providing Analysis
Board of Nursing
Taxation and Revenue Department

Agency or Agencies That Were Asked for Analysis but did not Respond
Department of Health

SUMMARY

Synopsis of House Bill 142

House Bill 142 (HB142) modifies the rural health care practitioner tax credit by expanding it to include urban underserved areas, increasing the amount of the credit, and modifying healthcare practitioner definitions. HB142 also renames the tax credit by removing “rural.”

	Current credit	HB 142
Physician Osteopathic physician Dentist Psychologist Podiatric physician Optometrist	$5,000 if work 1,584 hours in rural area $2,500 if work 792 hours in rural area	$10,000 if work 1,584 hours in rural area $5,000 if work 792 hours in rural area or 1,584 in urban area $2,500 if work 792 hours in urban area
Physician assistant	$3,000 if work 1,584 hours in rural area $1,500 if work 792 hours in rural area	$10,000 if work 1,584 hours in rural area $5,000 if work 792 hours in rural area or 1,584 in urban area $2,500 if work 792 hours in urban area
Midwife Registered nurse Pharmacist Clinical social worker Independent social worker Mental health counselor Clinical mental health counselor Marriage and family therapist Professional art therapist Alcohol and drug abuse counselor Dental hygienist Physical therapist	$3,000 if work 1,584 hours in rural area $1,500 if work 792 hours in rural area	$7,500 if work 1,584 in rural area $3,750 if work 792 hours in rural area $3,000 if work 1,584 hours in urban area $1,500 if work 792 hours in urban area
Emergency medical physician	No credit	$10,000 if work 1,444 hours in rural or urban $5,000 if work 720 hours in rural or urban

An "urban underserved area" is defined as a metropolitan area that is designated by U.S. Department of Health and Human Services to be a healthcare underserved area.

The tax would apply to tax years beginning after January 1, 2026.

FISCAL IMPLICATIONS

HB142 expands the credit significantly for most occupations. Currently, the rural health care practitioner tax credit is $5,000 for most doctors and $3,000 for other healthcare workers who work in rural areas. In the *2025 New Mexico Tax Expenditure Report*, the Taxation and Revenue Department (TRD) estimated 4,592 recipients of the credit, which reduced personal income tax revenue by $13.9 million.[1] With the enactment of HB252 in 2024 (Laws 2024, Chapter 67), the criteria for qualifying for the credit was changed from 2,080 hours to 1,584 hours effective tax year 2024. Following this reduction in the required hours, claims more than doubled. The average claim decreased, which means the change in required hours likely benefited those healthcare practitioners receiving the $3,000 credit more than those receiving the $5,000 credit.

RHPTC	2023	2024	% change from prior year
Claims	2,044	4,592	125%
Total Cost	$7,172,000	$13,964,000	95%
Average claim	$3,509	$3,041	-13%
			Source: 2025 New Mexico Tax Expenditure Report

[1] RSTP 121525 Item 2 B Tax Expenditure Report.pdf pages 207-208.

HB142 expands again the scope of the geography, the credit value, and the occupations (by including emergency medical physicians (EMP)).[2] Assuming the existing claims remain constant but the average is doubled, the fiscal impact on the credit expansion is $13.9 million. Next, assuming that rural healthcare practitioners are 30 percent of the New Mexico healthcare workforce, expanding the geography to urban areas increases the cost of the credit by $32.6 million. Finally, assuming EMPs claim the credit at the same rate as all rural practitioners, the cost to include EMPs is $1.7 million. Total FY27 fiscal impact is $48.3 million in reduced personal income tax collections.

Fiscal Impact of HB 142			
	Current recipients	**New Urban recipients**	**New EMP recipients**
Claims	4,592	10,715	282
$ Amount	$27,928,000	$32,582,667	$1,715,532
Average Claim	$6,082	$3,041	$6,082
Increase	$13,964,000	$32,582,667	$1,715,532
		Total impact	**48,262,198**

TRD estimates of the cost of HB 142 are lower than Legislative Finance Committee (LFC) staff due to differences in methodology.

SIGNIFICANT ISSUES

According to an LFC report from June 12, 2024:[3]

> On average, there was a shortage of 5,000 healthcare workers in the state of New Mexico between 2018 and 2023. New Mexico universities have, on average, 3,000 individuals enrolled in classes focused on healthcare. This includes anyone in a nursing program or social work program (master's degree only). Even if every student were to graduate and seek employment in New Mexico and in the healthcare field, there is still a shortage of approximately 2,000 workers within the healthcare and social assistance field. New Mexico needs to enhance recruitment efforts of individuals who work within the healthcare and social assistance field, as the gap remains pervasive.

Per the New Mexico Workforce Committee, there are approximately 31,000 health care professionals in the state: [4]

- In 2024, 1,104 physician assistants, 17,005 registered nurses (which includes 35 clinical nurse specialists, 2,467 certified nurse practitioners and 148 certified nurse-midwives), 36 licensed midwives, 4,884 emergency medical technicians and 757 occupational therapists.
- In 2021, 1,649 primary care physicians, 219 Obstetrics & Gynecology physicians, 309 psychiatrists, 159 general surgeons, 1,154 dentists, 1,853 pharmacists and

[2] A prior version of this FIR referred to emergency medical technicians or EMT. HB 142 refers to Emergency Medical Physicians, not technicians. The fiscal impact estimate was updated for this category.
[3] ALFC 061124 Item 14 Hearing Brief - Medicaid Behavioral Health Physical Health Workforce .pdf
[4] New Mexico Health Care Workforce Committee Report, 2025

1,536 physical therapists.

TRD raises some policy considerations:

New Mexico's health care system needs to ensure all New Mexican's have affordable and reliable health care. Recruiting and retaining the healthcare workforce is one of the most considerable challenges facing our state. The challenge for New Mexico is to control the cost of maintaining its healthcare workforce while preserving high-quality patient care. Theoretically, lower effective tax rates might actively minimize the tax burden for healthcare practitioners through tailored tax incentives, thereby helping recruit and retain healthcare workers. However, a study found that the national shortage of healthcare workers is related to factors such as career advancement opportunities, job-related stress, and burnout. At the same time, the tax burden was not among the reasons. (Health Affairs)

A National Institute of Health's (NIH) National Center for Biotechnology Information study predicts that nationwide, the demand for doctors will outpace the supply so that by 2030, 34 states will have physician shortages. This study indicated that of the 34 states with physician shortage, New Mexico was identified having the severest shortage. This study predicts a shortage of 2,118 physicians in New Mexico by 2030 due in part to a higher percentage of physicians over 60 years of age compared to other states. Without a nationwide solution, New Mexico will continue to compete with these 34 states for a smaller pool of physicians. It is unclear whether the enhanced credit of this bill will directly increase healthcare worker recruitment and improve the present challenges NM faces in the rural and urban underserved areas of the state.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is met with the bill's requirement to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking the credit and other information to determine whether the credit is meeting its purpose.

HB 142 does not have a sunset date when legislators can review the performance of the credit and modify or repeal if necessary.

TRD notes that many of the health care practitioners are "unlikely to benefit from these higher credit amounts because their tax liability is too low." The three-year carry-forward also does not provide the intended relief because the lower wage occupations will likely claim new credits each year. For example, a single dental hygienist that earns $80,000 a year may only have a tax liability of $2,300, well below the $7,500 credit. If the credit were refundable, the hygienist would receive the benefit of the whole credit but the cost to the general fund would be much larger.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 143 also modifies the rural health care practitioner tax credit.
Senate Bill 12 provides a physician income tax credit.

TECHNICAL ISSUES

Paragraph 1, Section B, defines eligible practitioners as those listed in Section H (a-f) but then includes emergency medical physician as a separate category. This is confusing and either a separate section should be added for EMP or in Section B, Paragraph 1, or "or an emergency medical physician" should be added after "section."

HB142 omits certified nurse practitioner, certified registered nurse anesthetist, and clinical nurse specialist from the list of eligible occupations. The Board of Nursing reports:

> It may inadvertently cause confusion due to the removal of the [advanced practice registered nurses] titles for some (certified nurse practitioner, certified registered nurse anesthetists, certified clinical nurse specialist) but retains the title of certified nurse midwife. If titles were removed for clarity, and since CNMs are also nurses, that whole section can be simplified. Licensed "lay" midwives would remain a separate title/category. APRNs are now covered under the RN definition.

OTHER SUBSTANTIVE ISSUES

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

- **Adequacy**: Revenue should be adequate to fund needed government services.
- **Efficiency**: Tax base should be as broad as possible and avoid excess reliance on one tax.
- **Equity**: Different taxpayers should be treated fairly.
- **Simplicity**: Collection should be simple and easily understood.
- **Accountability**: Preferences should be easy to monitor and evaluate.

In addition, staff reviews whether the bill meets principles specific to tax expenditures. Those policies and how this bill addresses those issues:

Tax Expenditure Policy Principle	Met?	Comments
Vetted: The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and general policy parameters.	✓	Expanding the RHCPTC has been introduced in prior sessions
Targeted: The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals.		No stated purpose of goals/targets
Clearly stated purpose	✗	
Long-term goals	✗	
Measurable targets	✗	
Transparent: The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies	✓	Credit distinguishable in tax return data; though it could be broken out between doctors and other health care professionals
Accountable: The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination		Included in the tax expenditure budget

of effectiveness and efficiency. The tax expenditure is set to expire unless legislative action is taken to review the tax expenditure and extend the expiration date. Public analysis Expiration date	 ✓ ✗	
Effective: The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth – there are indicators the recipients would not have performed the desired actions "but for" the existence of the tax expenditure. Fulfills stated purpose Passes "but for" test	 ✗ ✗	No stated purpose explicit in bill
Efficient: The tax expenditure is the most cost-effective way to achieve the desired results.	?	
Key: ✓ Met ✗ Not Met ? Unclear		

NF/sgs/hg/sgs/ct/dw/ct