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### FISCAL IMPACT REPORT

SPONSOR:	Rawson	DATE TYPED:	01/30/00	HB	
SHORT TITLE:	Residential Care Gross Receipts Deduction			SB	137
				ANALYST:	Eaton

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01*			
	\$ (878.0)		Recurring	General Fund
	\$ (616.0)		Recurring	Municipalities
	\$ (112.0)		Recurring	Counties

(Parenthesis ( ) Indicate Revenue Decreases)

*\*Estimate based on New Mexico Healthcare Association (1999) data on rates, number of beds, average percent occupancy and percent Medicaid reimbursement. Estimated impacts include retirement homes and intermediate care facilities, but exclude approximately 33% of nursing home beds assumed to be in non-profit facilities. The State general fund impact assumes that Medicaid pays \$7.7 million in gross receipts tax on nursing home services and the state pays 25% of Medicaid total costs.*

## SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

## SUMMARY

### Synopsis of Bill

This bill provides a 20% deduction from taxable gross receipts of residential care facilities licensed by the Department of Health.

### Significant Issues

Receipts from the lease or rental of residential property are not subject to the gross receipts tax. Gross receipts attributable to residential hotel stays of more than 30 days are similarly exempt. Housing constitutes roughly 20% of the cost of adult residential care. Exempting this component of gross receipts while continuing to tax the remaining 80% attributable to services rendered by the residential care facilities is equitable and consistent tax policy.

Medicare payments account for roughly 7% of nursing home gross receipts. Nursing homes are not explicitly reimbursed for gross receipts liability on payments subsidized by Medicare, although state taxes may be an implicit component of the Medicare reimbursement schedule.

The state of New Mexico provides 25% of Medicaid funding. Thus, 25% of the gross receipts tax on Medicaid-funded nursing home services is, essentially, the state taxing itself.

## **FISCAL IMPLICATIONS**

This bill is estimated to reduce general fund revenues by \$878.0 (recurring) in fiscal year 2001. The impact to municipalities and counties would be to reduce their revenues by \$616.0 and \$112.0, respectively.

## **ADMINISTRATIVE IMPLICATIONS**

Minimal administrative impact.

JBE/gm