

HOUSE TAXATION AND REVENUE COMMITTEE SUBSTITUTE FOR
HOUSE BILLS 452 & 893

45TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2001

AN ACT

RELATING TO TAXATION; PROVIDING A CREDIT AGAINST THE GROSS
RECEIPTS TAX FOR HOSPITALS LICENSED BY THE DEPARTMENT OF
HEALTH; IMPOSING CONDITIONS FOR CLAIMING THE CREDIT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. A new section of the Gross Receipts and
Compensating Tax Act is enacted to read:

"~~[NEW MATERIAL]~~ CREDIT--GROSS RECEIPTS TAX--RECEIPTS OF
CERTAIN HOSPITALS.--

A. A hospital licensed by the department of health
may claim a credit against the gross receipts tax for each
reporting period of an eligible twelve-month period in an
amount equal to three and two hundred seventy-five thousandths
percent of the hospital's taxable gross receipts for that
reporting period after all appropriate exemptions and

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1 deductions have been taken. The credit provided for in this
2 section shall be considered a payment of the state portion of
3 gross receipts tax.

4 B. As used in this section:

5 (1) "charity care" means the provision of
6 medically necessary care to an individual who has a household
7 income less than two hundred percent of the federal poverty
8 level, is without any reasonably identifiable alternative
9 third party or other payment sources and has been deemed
10 pursuant to the hospital's credit and collection policies and
11 procedures, financially unable to pay for all or part of the
12 services rendered;

13 (2) "cost-to-charge ratio" means the
14 relationship that a hospital's total operating expenses bear
15 to the hospital's reported charges for the same period as
16 determined by the federal health care financing administration
17 medicare cost report filed by the hospital and audited and
18 finalized by the federal health care financing administration;

19 (3) "eligible twelve-month period" means the
20 twelve-month period beginning on July 1 of any year that a
21 hospital reported uncompensated care in an amount equal to at
22 least three percent of net patient revenues for the year
23 ending on June 30 of the year prior to that July 1;

24 (4) "net patient revenue" means for any year
25 the total amount realized from patients, third-party payers

1 and others for services rendered to an individual patient,
2 including estimated retroactive adjustments under
3 reimbursement agreements with third-party payers, provided
4 that retroactive adjustments are accrued on an estimated basis
5 in the period the related services are rendered and adjusted
6 in future periods as final settlements are determined; and

7 (5) "uncompensated care" means for any period
8 the sum of the following multiplied by the cost-to-charge
9 ratio for that same period:

10 (a) an account receivable based on
11 services furnished to a patient that is: 1) regarded as
12 uncollectible following reasonable collection efforts pursuant
13 to the facility's credit and collection policies and
14 procedures; 2) charged as a credit loss pursuant to the
15 facility's credit and collection policies and procedures; and
16 3) not otherwise classified as charity care; and

17 (b) the unpaid amount of the total
18 hospital, including emergency room, charges for charity care,
19 provided that for those hospitals with a discounted or sliding
20 fee scale established by the governing board, total charges
21 shall be determined based on the discounted or sliding fee
22 scale. "Charges for charity care" do not include the
23 difference between total charges and the allowable amount paid
24 by a third party, including medicaid, medicare and the county
25 indigent fund, regardless of a patient's income level."

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1 Section 2. EFFECTIVE DATE. -- The effective date of the
2 provisions of this act is July 1, 2001.

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