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FISCAL IMPACT REPORT

SPONSOR: Smith DATE TYPED: 02/15/01 HB _____
 SHORT TITLE: Tax Deduction for Physicians SB 568
 ANALYST: Williams

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	\$ (42,000.0)	\$ (42,700.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
 Taxation and Revenue Department
 Health Policy Commission

SUMMARY

Synopsis of Bill

The bill would authorize a personal and corporate income tax credit for gross receipts taxes paid on receipts from the provision of medical and other health services provided by physicians. The credit claimed can be for both state and local option gross receipts taxes. Pass-through entities must allocate the amount by ownership. Physicians include those doctors licensed to practice pursuant to the Medical Practice Act or a person licensed as an osteopathic physician. The bill is effective beginning tax year 2001.

Significant Issues

The bill reflects an alternative to the numerous other bills to address gross receipts taxes and the medical industry. The bill would hold local governments harmless from the fiscal impacts.

FISCAL IMPLICATIONS

TRD estimates the bill would reduce recurring general fund revenue by \$42,000.0 in FY02 and \$42,700.0 in FY03, respectively. Note that occupation is not stated on the New Mexico personal income tax forms; however, the estimate assumes physicians are mostly married and mostly in the above \$75,0000 taxable income category.

ADMINISTRATIVE IMPLICATIONS

TRD notes minimal administrative impacts.

OTHER SUBSTANTIVE ISSUES

TRD notes this bill could result in a double-dip as currently drafted. The attached TRD analysis illustrates this issue. Effectively by reducing the deduction authorized in this bill to 50% through an amendment, the gross receipts tax issue on the medical industry could be addressed. Simultaneously, such an amendment would reduce the bill's fiscal impact by 50%.

AW/ar
Attachment