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FISCAL IMPACT REPORT

ORIGINAL DATE 2/03/2020

SPONSOR Trujillo, J/Cook LAST UPDATED 2/11/2020 HB 282

SHORT TITLE Health Care Gross Receipts Providers SB _____

ANALYST Iglesias

REVENUE (dollars in thousands)

Estimated Revenue*					Recurring or Nonrecurring	Fund Affected
FY20	FY21	FY22	FY23	FY24		
-	No Fiscal Impact Under Prior TRD Interpretation				Recurring	General Fund
-	No Fiscal Impact Under Prior TRD Interpretation				Recurring	Local Governments

Parenthesis () indicate revenue decreases

*Estimates depend on interpretation of the amended language. See *Fiscal Implications* for discussion.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY20	FY21	FY22	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	-	\$5.1	-	\$5.1	Nonrecurring	TRD – Information Technology Division

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB 227

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)
Department of Health (DOH)

SUMMARY

Synopsis of Bill

House Bill 282 amends the gross receipts tax (GRT) health care practitioner deductions (Section 7-9-77.1 and Section 7-9-93) to specify that not just practitioners themselves may take the deduction but also businesses that are majority owned by practitioners may take it. The effective date of this bill is July 1, 2020.

FISCAL IMPLICATIONS

The Taxation and Revenue Department determined this bill will have no fiscal impact based on their following analysis of this bill:

“The legislation provides clarifying language that explicitly allows for physician owned groups that are not excluded entities to qualify for the healthcare practitioner deduction. Excluded entities include health maintenance organizations, hospitals, hospice facilities, and nursing homes or intermediate care facilities licensed by the department of health pursuant to the Public Health Act. This is already the department’s interpretation of current law, as described in FYI-202, Gross Receipts Tax and Health Care Services and in NMAC 3.2.241.7 through 3.2.241.18.

In the 2016 second special legislative session, Senate Bill 6 [Chapter 3] excluded physician owned hospitals from the healthcare practitioner deduction due to what was viewed as a loophole in statute that permitted these hospitals to receive the deduction. This bill does not include hospitals and other institutions, it just clarifies that physician groups qualify for the deduction.”

Estimating the cost of tax expenditures is difficult. Confidentiality requirements surrounding certain taxpayer information create uncertainty, and analysts must frequently interpret third-party data sources. The statutory criteria for a tax expenditure may be ambiguous, further complicating the initial cost estimate of the expenditure’s fiscal impact. Once a tax expenditure has been approved, information constraints continue to create challenges in tracking the real costs (and benefits) of tax expenditures.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is met – this bill inserts a new requirement for this deduction to be reported annually to an interim legislative committee regarding the data compiled from taxpayers taking the deduction and other information to determine whether the deduction is meeting its purpose.

ADMINISTRATIVE IMPLICATIONS

The Information Technology Division of TRD reports an impact of approximately 100 hours of work at a cost of \$5,125 from separately tracking and reporting the deduction. There will also be increased taxpayer compliance costs for separately reporting.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Duplicates Senate Bill 227

Does the bill meet the Legislative Finance Committee tax policy principles?

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

- Does the bill meet the Legislative Finance Committee tax expenditure policy principles?**
1. **Vetted:** The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy (RSTP) Committee, to review fiscal, legal, and general policy parameters.
 2. **Targeted:** The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals.
 3. **Transparent:** The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies.
 4. **Accountable:** The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination 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.
 5. **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.
 6. **Efficient:** The tax expenditure is the most cost-effective way to achieve the desired results.

LFC Tax Expenditure Policy Principle	Met?	Comments
Vetted	✘	The provisions of this bill was not vetted in the interim by LFC or RSTP.
Targeted Clearly stated purpose Long-term goals Measurable targets	✘ ✘ ✘	No purpose statement, goals or targets.
Transparent	✔	This bill requires annual reporting from TRD.
Accountable Public analysis Expiration date	? ✘	Unclear if the required reporting from TRD on number of taxpayers claiming the deduction and aggregate amount of the claims would provide sufficient information to analyze the effectiveness and efficiency of this deduction.
Effective Fulfills stated purpose Passes “but for” test	? ?	
Efficient	?	
Key: ✔ Met ✘ Not Met ? Unclear		

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