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| LFC Requester: | Ismael Torres |
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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION
WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov
(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION
{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: February 26, 2025 *Check all that apply:*
Bill Number: SB296 Original Correction
 Amendment Substitute

Sponsor: Senators Tobiassen, Hamblen, Woods, Block and Figueroa **Agency Name and Code** State Ethics Commission 410
Short Title: Physician Income Tax Credit **Number:** _____
Title: _____ **Person Writing** Rebecca Branch
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Nonrecurring | Fund Affected |
|---------------|------|---------------------------|---------------|
| FY25 | FY26 | | |
| | | | |
| | | | |

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Nonrecurring | Fund Affected |
|-------------------|------|------|---------------------------|---------------|
| FY25 | FY26 | FY27 | | |
| | | | | |
| | | | | |

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

| | FY25 | FY26 | FY27 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|--------------|------|------|------|-------------------|---------------------------|---------------|
| Total | | | | | | |

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

SB296 creates a fifty-thousand-dollar refundable tax credit for physicians (including physicians or osteopathic physicians licensed pursuant to the provisions of the Medical Practice Act or dentists licensed pursuant to the Dental Health Care Act), who have completed a medical residency and have an outstanding balance of a student loan taken to defray the costs of medical education. The taxpayer can receive the credit for five consecutive years in which the taxpayer meets the requirement of the bill, including practicing medicine full-time in New Mexico. The higher education department is required to certify that a taxpayer meets the eligibility requirements of the bill. The credit must be claimed within three taxable years of the end of the year in which the higher education department certifies the credit.

The portion of the tax credit that exceeds the taxpayer's income tax liability in the taxable year in which the credit is claimed shall be refunded to the tax payer.

FISCAL IMPLICATIONS

SIGNIFICANT ISSUES

SB 296 potentially implicates Article IX, Section 14 of the New Mexico Constitution (the Anti-Donation Clause) by, in effect, creating circumstances where the state may directly pay public funds to private individuals.

Generally, refundable tax credits raise concerns under the Anti-Donation Clause because a refundable tax credit can cause the State to make a payment to a private individual or corporation, potentially resulting in an unconstitutional subsidy. *See Chronis v. State ex rel. Rodriguez*, 1983-NMSC-081, ¶ 30 (finding a tax credit given to the liquor industry an unconstitutional subsidy). Since the proposed tax credit here operates as a kind of gift to a taxpayer, as there is no clear action under the terms of the bill under which the credit could be viewed as an offer in exchange for the credit (if the State receives something of value in exchange for the transfer of funds, it is not a donation), the proposed tax credit likely constitutes a donation for purposes of Article IX, Section 14.

The Anti-Donation Clause contains an express exception for loans to students of the healing arts for residents of the state who, in exchange for the payment of educational expenses, contract with the State to practice their profession for a period of years after graduation within areas of the State designated by law. *See* N.M. Const. art. IX, § 14(C). SB296 does not meet the terms of this exception, however, because it ostensibly pays loan debt for students of the healing arts through a tax credit to individuals who are not required to be residents of the state and who are not contracting with the State to practice their profession for a period of years after graduation within designated areas of the State. *Compare* SB296, with NMSA 1978, §§ 21-22-1 to -8 (1991, as amended 2017) (Medical Student Loan for Service Act).

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS