LFC Requester:	

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: *3/8/25* *Check all that apply:*
Bill Number: *SB455* Original *X* Correction __
Amendment __ Substitute __

Sponsor: Brandt
Short Title: HEALTH PRACTITIONER COINSURANCE GRT

Agency Name and Code Number: Municipal League (ML)
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SECTION II: FISCAL IMPACT

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Indeterminate, potentially significant	Indeterminate, potentially significant	Indeterminate, potentially significant	Nonrecurring	Municipalities

(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:

SB455 expands a GRT deduction to include coinsurance paid directly by patients, in addition to existing deductions on copayments and deductibles. The deductions would sunset at the end of FY28.

FISCAL IMPLICATIONS

The estimated range of SB455's GRT reduction to municipalities is highly uncertain given the lack of publicly available data on healthcare spending on taxation, however, the impact is likely to be significant. The LFC's FIR notes an annual decrease of around $25 million in local governments' GRT revenue, through FY28, with an offsetting $6-8 million in hold harmless payments. It is not clear how the impact would be allocated across individual local governments, without further analysis of impacted NAICS codes and payor and provider breakdowns.

SIGNIFICANT ISSUES

The Gross Receipts Tax (GRT) deduction in SB455 could reduce local government GRT revenues. The loss of GRT revenue would undermine local revenue stability, including cities' ability to pay for essential city services, public safety, and employee wage increases, among other needs. Municipalities rely on GRT revenue to fund operations, with over two-thirds of total municipal general fund revenue coming from GRT.

While SB455 includes a sunset date for the deduction in FY28, sunsets are often removed or extended, risking permanent, recurring revenue loss for cities.

Municipalities have limited options to raise other revenue, and creating more deductions in the tax code can lead to a need to raise taxes to maintain revenue, disproportionately harming lower income New Mexicans.

Erosion of both local and state revenue is especially concerning at this time, given current reductions and uncertainty in federal funding.

Additionally, the proposed deductions could negatively impact municipal debt service coverage ratios, in turn impacting municipal bond ratings. Bond ratings could be affected by both a reduction in revenue, as well as the negative impact the revenue reduction would have on city budgets.

While the bill is likely intended to address healthcare provider shortages in New Mexico, the state's medical malpractice laws likely contribute far more than tax policy decisions to loss of medical providers in New Mexico, with New Mexico seeing the second most medical malpractice lawsuits per capita in the country. Businesses, including healthcare providers, are more likely to invest in New Mexico when there is strong public safety, a high quality of life, and reliable infrastructure—all of which depend on local governments having sufficient tax revenues to fund essential services that make communities safe, livable, and attractive for economic growth.

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