FISCAL IMPACT REPORT

		LAST UPDATED	3/4/2025
SPONSOR	Woods	**ORIGINAL DATE**	3/3/2025
SHORT TITLE	Expand Rural Health Care Tax Credit	**BILL NUMBER**	Senate Bill 424
		ANALYST	Gray

REVENUE*
(dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
PIT	**$0**	**Up to ($350.0)**	**Up to ($350.0)**	**Up to ($350.0)**	**Up to ($350.0)**	Recurring	General Fund

Parentheses ( ) indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

Conflicts with House Bills 52 and 226

Sources of Information

LFC Files

Agency Analysis Received From
Department of Health (DOH)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Senate Bill 424

Senate Bill 424 (SB424) makes respiratory care practitioners and polysomnographic technologists eligible for the $3,000 annual rural healthcare practitioner tax credit.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or June 20, 2025, if enacted.

FISCAL IMPLICATIONS

This bill expands a tax expenditure that is estimated to decrease recurring general fund revenue by $350 thousand in FY26. 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 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.

The estimate provided in this analysis estimates the general fund revenue using information provided by the New Mexico Department of Workforce Solutions' (DWS) Occupational

Employment and Wages and the 2023 New Mexico Health Care Workforce Committee (HCWC) annual reports. Those resources provide that there are 650 respiratory practitioners with a median annual wage of $78 thousand and about 100 polysomnographic technologists with a median annual wage of $80 thousand. The estimated tax liability of these taxpayers is between $2,500 and $2,600 per year for single filers. This analysis used data from the Taxation and Revenue Department (TRD) to estimate the share of full-time and part-time claims to have a ratio of 60:40.

TRD analysis provided a similar general fund revenue estimate and used a similar methodology.

SIGNIFICANT ISSUES

Analysis from the Department of Health (DOH) notes that there is a significant demand for medical care specialists like respiratory practitioners and polysomnographic technicians in rural areas. The agency writes:

> The proposed addition of Respiratory Care Practitioners and Polysomnographic Technologists in SB424 could encourage health care practitioners to live and stay in rural and medically underserved areas to provide needed health care services

The 2023 New Mexico Health Care Workforce Committee annual report estimates that there are over 57 thousand licensed health professionals in New Mexico, with about 33 thousand of them practicing as of 2021. Between 20 percent and 30 percent—between 7 thousand and 10 thousand—of those are likely in rural areas. In 2021, 2,049 taxpayers claimed the rural healthcare practitioner tax credit. The 2024 amendment to the rural healthcare practitioner tax credit added an estimated 5,372 additional healthcare professionals. That amendment, coupled with the proposed change under SB424, indicates this bill likely covers a large share of rural healthcare practitioners practicing in a field that requires state licensing.

However, this is only a portion of the total rural health care workforce. According to BLS, there were about 90 thousand people employed in health-related industries in 2024. About 30 percent are likely located in rural areas, amounting to a total rural health care workforce of about 27 thousand workers. This implies about 19 thousand people work in a rural healthcare role that does not require a license and, accordingly, will not benefit from the current credit or the bill’s expansion of the credit.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill conflicts with House Bill 52, which adds the following professions to the rural health care practitioner credit:

- Licensed practical nurses,
- Emergency medical technicians,
- Paramedics,
- Speech-language pathologists,
- Occupational therapists, and,
- Chiropractic physicians.

This bill conflicts with House Bill 226, which triples the value of the Rural Health Care Practitioner tax credit, increasing the credit from $5 thousand to $15 thousand for physicians, dentists, psychologists, podiatric physicians, and optometrists and from $3 thousand to $9 thousand for many other types of medical practitioners practicing in rural areas.

OTHER SUBSTANTIVE ISSUES

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

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

In addition, staff reviews whether the bill meets principles specific to tax expenditures. Those policies and how this bill addresses those issues:

Tax Expenditure Policy Principle	Met?	Comments
Vetted: The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and general policy parameters.	×	This bill has not been vetted by an interim tax committee.
Targeted: The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals. Clearly stated purpose Long-term goals Measurable targets	×	This bill does not have a clearly stated purpose, long-term goals, or measurable annual targets.
Transparent: The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies	✓	This bill requires annual reporting, which was already required under the RHCPTC.
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. Public analysis Expiration date	×	This bill does not have an expiration date.
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. Fulfills stated purpose Passes "but for" test	?	It is unclear whether this bill is effective and efficient, in part because the bill lacks measurable targets or objectives.
Efficient: The tax expenditure is the most cost-effective way to achieve the desired results.	?	
Key: ✓ Met × Not Met ? Unclear		

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