

NOTE: As provided in LFC policy, this report is intended for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

Only the most recent FIR version, excluding attachments, is available on the Intranet. Previously issued FIRs and attachments may be obtained from the LFC office in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR: Sandoval DATE TYPED: 02/26/02 HB 882
 SHORT TITLE: Health & Laboratory Services Tax Deduction SB _____
 ANALYST: Eaton

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	\$ (83,200.0)	\$ (92,100.0)	Recurring	General Fund
	\$ (35,700.0)	\$ (41,200.0)	Recurring	Local Govt.

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

This bill provides for gross receipts tax deduction for all health care services of all kinds. This includes the list of health care practitioners proposed in many bills this session (physicians, osteopathic physicians, chiropractic physicians, physician assistants, dentists, dental hygienists, doctors of oriental medicine, podiatrists, psychologists, RNs and LPNs, registered lay midwives, physical therapists, occupational therapists and respiratory care practitioners) and adds optometrists. Receipts from selling prosthetic devices (wholesale or retail) may be deducted. Medical laboratory services, even if not provided by an MD, may be deducted. All the remaining receipts of for-profit hospitals may be deducted. Nursing home receipts may be deducted. To level the playing field, the bill also proposes to repeal the 3% premiums tax on health care insurance policies.

Significant Issues

The Taxation and Revenue Department (TRD) report that total personal health care in New Mexico is estimated to be \$6.4 billion in FY02. This implies that only 19 percent of health care expenses in the state are paid by private insurance.

FISCAL IMPLICATIONS

The Taxation and Revenue Department (TRD) provided the following five year estimate of impacts. Not included in the deduction are: blood banks, home health care agencies, non-PA ambulance services, family planning centers and cosmetic surgery. TRD defers to the Department of Insurance of the Public Regulation Commission (PRC) for the premiums tax impacts. Legislative Finance Committee staff estimated insurance premiums tax for FY05 and FY06.

Estimated Fiscal Impact
(millions of dollars)

	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>
General Fund	(44.2)	(51.1)	(54.4)	(58.3)	(62.4)
Premiums Tax	<u>(39.0)</u>	<u>(41.0)</u>	<u>(43.5)</u>	<u>(46.0)</u>	<u>(48.5)</u>
Total General Fund	(83.2)	(92.1)	(97.9)	(104.3)	(110.9)
Local Governments	<u>(35.7)</u>	<u>(41.2)</u>	<u>(43.9)</u>	<u>(46.9)</u>	<u>(50.2)</u>
Grand Total	(118.9)	(133.3)	(141.8)	(151.2)	(161.1)

Source: TRD, PRC, LFC

ADMINISTRATIVE IMPLICATIONS

Minimal.

JBE/njw