NOTE: As provided in LFC policy, this report is intended only 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 (in HTML & Adobe PDF formats) is available on the Legislative Website. The Adobe PDF version includes all attachments, whereas the HTML version does not. Previously issued FIRs and attachments may be obtained from the LFC's office in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

SPONSOR:	Garcia	DATE TYPED:	02/12/02	HB		
SHORT TITLE	E: Physicians Income T	ax Credit		SB	325	
			ANALY	ST:	Neel	

## **REVENUE**

Estimated Revenue		1	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	(\$41,600.0)	(\$45,800.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases) In thousands

### SOURCES OF INFORMATION

LFC files Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 325 enacts a new section of the Income Tax Act and the Corporate Income and Franchise Tax Act to provide a credit for gross receipts paid on medical and health services provided by physicians. Physicians can claim the credit for medical, health services, and for receipts of a passthrough business that the taxpayer is an owner. If taxes are paid by the pass-through entity, which the physician is the owner, the gross receipts paid by will be determined as the percent ownership of the business by the business.

The credit provided under SB 325 can be deducted from the taxpayer's personal or corporate income tax liability or can be carried forward for three consecutive years. Physicians are defined as those licensed pursuant to the Medical Practice Act.

Effective Date - Tax Year January 1, 2002

# FISCAL IMPLICATIONS

SB 325 does not contain an appropriation, however TRD estimates an annual impact to the General Fund of \$45.8 million. The impact for FY 02 is estimated at approximately \$41.6 million.

# **OTHER SUBSTANTIVE ISSUES**

All receipts are Gross Receipts Taxes are deposited in the tax administration suspense fund in the state treasury; after payment of necessary refunds and interest, the balance is distributed monthly as follows:

- 1.225 percent of the taxable gross receipts reported for the month of deposit for each municipality is distributed to that municipality Section 7-1-6.4 NMSA 1978;
- 3.59 percent of gross receipts attributable to the sale of jet fuel is distributed to the state aviation fund for general purposes, and from July 1, 2002 through June 30, 2007, an additional .046 percent of the gross receipts attributable to the sale of jet fuel is distributed to the state aviation fund for carrying out the provisions of the air service assistance program Section 7-1-6.7 and 64-1-15 NMSA 1978.
- Effective July 1, 2001, \$500,000 from the net receipts attributable to the gross receipts tax is made to the state office building bonding fund Section 7-1-6.42 NMSA 1978;
- Local option gross receipts taxes are distributed to the appropriate county or municipality Section 7-1-6.12 and 7-1-6.13 NMSA 1978; and
- County health care gross receipts taxes are distributed to the county-supported Medicaid fund Section 7-20E-18 NMSA 1978.

SN/ar