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## FISCAL IMPACT REPORT

SPONSOR Feldman DATE TYPED 1/29/04 HB \_\_\_\_\_

SHORT TITLE Gross Receipts on Certain Insurance Services SB 75

ANALYST Taylor

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
50.0	570.0	600.0	Recurring	General Fund
30.0	330.0	350.0	Recurring	Local Govt's

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department

### SUMMARY

This bill adds a provision to the gross receipts tax exemption provided to insurance companies' premiums, excluding receipts from administrative services only contracts (also known as third party administrators or TPAs). Preemption language is also amended to exempt state and local option gross receipts taxes on receipts of insurers for administrative services only contracts.

The bill carries no effective date and thus would become effective 90 days after adjournment.

### FISCAL IMPLICATIONS

Based on the Census of Finance and Insurance reports, TRD estimates that eliminating the gross receipts exemption for administrative services contracts would increase the gross receipts tax base by \$15 million. Applying the effective state gross receipts tax rate of 3.775 percent yields \$570 thousand for the general fund in FY05. Local fund impacts assume the same \$15 million dollar base and an average local government gross receipts tax rate of 2.2 percent.

**ADMINISTRATIVE IMPLICATIONS**

TRD reports that the bill can be administered with existing resources.

**OTHER SUBSTANTIVE ISSUES**

TRD's bill analysis reported the following issues:

1. TPAs are often employed contractually by insurance companies or self-insured plans to provide certain services. The services provided by a TPA vary from collecting charges or premiums from consumers on behalf of an insurance company to adjusting and settling claims in connection with life, health, property or casualty insurance.
2. TPAs not subject to the exclusion provided in Section 59A-6-6 are currently subject to the gross receipts tax and unaffected by this measure.
3. The bill attempts to "level the playing field" with respect to TPA services provided by those privy to the in-lieu-of provision found at 59A-6-6. However, the bill makes no further attempt to address other non-insurance services provided by insurance companies and HMOs.

**BT/njw:yr**