F I S C A L   I M P A C T   R E P O R T

SPONSOR Papen **DATE TYPED** 2/04/04 **HB**

SHORT TITLE Nursing Home Gross Receipts Deduction **SB** 190

ANALYST Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
(620.0)	(650.0)	(695.0)	Recurring	General Fund
(415.0)	(435.0)	(465.0)	Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to: SB 180

SOURCES OF INFORMATION

LFC Files

Responses Received From
Taxation and Revenue Department (TRD)
Department of Health (DOH)
Human Services Department (HSD)
Health Policy Commission (HPC)

SUMMARY

Synopsis of Bill

Senate Bill 190 amends statute to provide a gross receipts deduction for "for profit" nursing homes on receipts from Medicare. To qualify for the deduction the nursing home must be licensed by the DOH and certified to provide Medicare services. The bill also reconciles amendments to statute. It adds a provision allowing a gross receipts tax deduction for receipts from payments by the U.S. government for medical services provided by a clinical laboratory to Medicare beneficiaries. The deduction is phased over three years: FY05, FY06 and FY07.

Significant Issues

TRD reports that this bill reconciles amendments to the same sections of statute passed during the 2003 regular session, thus aligning statute with legislative intent.

FISCAL IMPLICATIONS

TRD notes the following assumptions in determining the fiscal impact of providing a gross receipts deduction for "for profit" nursing homes on receipts from Medicare:

- The Health Licensing and Certification Bureau of the Department of Health indicates there were 84 nursing homes licensed in New Mexico in 2002. According to the bureau, licensed nursing homes do not include residential mental health or substance abuse facilities, but do include some community care facilities for the elderly. Data from the 1997 Economic Census of Health Care and Social Assistance and the department's "Analysis of Gross Receipts by Standard Industrial Classification" were used to estimate a taxable gross receipts base of $117 million for FY 2005. Data from the Centers for Medicare and Medicaid Services indicate that Medicare accounts for approximately 14.8% of New Mexico nursing home receipts. Thus the fiscal impact is based on approximately $17 million dollars of Medicare receipts that would qualify for deduction.

TRD reports that there is no fiscal impact associated with the reconciliation of amendments because they are currently honoring the deductions passed into law last year.

OTHER SUBSTANTIVE ISSUES

TRD notes that the state has traditionally had a very broad transaction tax base with a fairly low tax rate. Narrowing the base eventually leads to increasing rates in order to maintain revenue, or reduced public services.

In addition to adding an element of stability to the gross receipts tax, receipts of the health care sector grow more quickly than general revenue. Exempting this sector reduces the state's ability to generate adequate revenue from the gross receipts tax.

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