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FISCAL IMPACT REPORT

SPONSOR Smith DATE TYPED 1-31-04 HB _____

SHORT TITLE Gross Receipts Credit for Certain Hospitals SB 218

ANALYST Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
(9,900.0)	(10,600.0)	Increasing	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to:

HB 17, Certain Health Care Services Gross Receipts
 HB 80, Gross Receipts in Health Provider Contracts
 HB 154, Health Practitioner Services Gross Receipts
 SB 179, Medical Services Gross Receipts

SOURCES OF INFORMATION

LFC Files

Responses Received From

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

SUMMARY

Synopsis of Bill

Senate Bill 218 amends the Gross Receipts and Compensating Tax Act to provide a credit to New Mexico's licensed hospitals for the state's share of the gross receipts tax. The local share is unaffected. Based on this, the value of the credit is equal to 3.275 percent for hospitals located in municipalities and 5 percent for those located in unincorporated areas of a county.

Significant Issues

DOH notes that a gross receipts tax reduction would increase hospital profitability and would provide an incentive to provide services in New Mexico. There are hospitals in nine communities (Hobbs, Carlsbad, Roswell, Los Alamos, Las Vegas, Deming, Albuquerque, Las Cruces, and Truth or Consequences) in NM that would benefit by this tax reduction.

Current New Mexico law, the Gross Receipts and Compensating Tax Act, Section 7-9-73.1 NMSA 1978, Deduction; gross receipts; hospitals, provides for exemption from 50% of gross receipts tax liability by hospitals licensed by the Department of Health.

Since SB218 would allow for an additional credit, *after* application of the 50% deduction of Section 7-9-73.1 NMSA 1978, the total gross receipts credit would be 51.6375% for hospitals located in municipalities and 52.5% for hospitals located in the unincorporated area of a county.

FISCAL IMPLICATIONS

TRD notes the following sources in determining the fiscal impact:

The Department of Health's Licensing and Certification Bureau reports that licensed hospitals include acute care facilities, critical access, psychiatric, rehabilitation, and other specialty hospitals. 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 derive a taxable gross receipts base of more than \$300 million for FY 2005.

ADMINISTRATIVE IMPLICATIONS

TRD notes that automation would be required to manage such a large scale tax credit.

SN/dm