

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Jennings DATE TYPED 02/03/04 HB _____

SHORT TITLE Change Premium Tax Applicability SB 501

ANALYST Garcia

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
(\$7,100.0)			Non-recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulation Commission, Insurance Division

SUMMARY

Synopsis of Bill

SB 501 amends the applicability of Laws 2003, Chapter 58, Section 1. The law in question amended certain sections of Section 59A-6-2 NMSA 1978 including the elimination of certain exemptions under the premium tax law, which applies to health insurance premiums received by managed care organizations (MCO's) from the Human Services Department for Salud. In 2003, HB 130 eliminated the insurance premium tax exemption for all government contracts. HB 130 in 2003 made the elimination of premium tax exemption retroactive to January 1, 2003. The proposed SB 501 amends the applicability to premiums received after March 20, 2003. Consequently, the bill will eliminate approximately one-quarter of payments.

Significant Issues

The date the premium tax exemption elimination legislation was signed by the governor was on March 20, 2003. The law was retroactive to January 1, 2003. The MCO's believe the exemption elimination should be active when the governor signed the legislation into law and thus eliminating roughly one-quarter of payments.

FISCAL IMPLICATIONS

The effect of the bill is to forgive premium tax on premiums received from January 1, 2003 through March 20, 2003. Those taxes are due April 15, 2004. The Insurance Division has estimated the tax on these premiums is estimated to be \$7.1 million and will result in a decrease in the General Fund in FY 04.

DG/dm