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FISCAL IMPACT REPORT

SPONSOR Snyder DATE TYPED 02/26/05 HB _____

SHORT TITLE Prescription Drug Reimbursement Tax Credit SB 552

ANALYST Padilla-Jackson

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
(\$26,000.0)*	(\$53,000.0)		Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

*The FY2005 impact is assumed to be approximately 50 percent of the full-year fiscal impact.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

Aging and Long Term Care Department (ALTSD)

SUMMARY

Synopsis of Bill

Senate Bill 552 would provide a new personal income tax credit for a resident that is 65 years or older, for un-reimbursed prescription drug costs. The tax credit would be in amount not to exceed seventy-five percent of the prescription drug expenditures. The credit is refundable, so that if the credit exceeds the taxpayer's liability, the excess shall be refunded to the taxpayer.

Credits would not be allowed for those expenditures included in a taxpayer's itemized deductions. Additionally, a claim for the credit cannot be filed by a resident who was an inmate of a public institution for more than six months of the taxable year or who was not in New Mexico for at least six months of the taxable year.

The provisions of this bill are applicable to tax years beginning on or after January 1, 2005.

FISCAL IMPLICATIONS

The total fiscal impact, as provided by TRD, is -\$53 million to the general fund in FY06. TRD's estimate assumes that there are 212,225 New Mexicans over the age of 65, 205,647 of whom do not reside in institutions and 72 percent who do not itemize deductions. These assumptions imply approximately 148,000 in potential credits, at an average claim of \$356.00 (75% of the average prescription drug cost of \$475), would be expected to generate about \$53 million (148,000 times \$356.00).

ADMINISTRATIVE IMPLICATIONS

The bill would reportedly have a minor administrative impact on TRD, as the provisions of this bill could be performed with existing resources.

OPJ/lg