

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 be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 2/8/06

SPONSOR Gonzales LAST UPDATED _____ HB 811

SHORT TITLE Health Equipment Property Tax Exemption SB _____

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	NFI		Recurring	Local Governments
	See narrative for details			

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB417

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

Economic Development Department (EDD)

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 811 makes health-related equipment at qualified facilities exempt from property tax liability. This exempts from property taxation health-related equipment purchased, acquired, leased, financed or re-financed with bonds issued under the Hospital Equipment Act. The exemptions can only be used consecutively if subsequent exemptions are for new projects or new health-related equipment. The exemption applies to tax year 2006 and subsequent years.

FISCAL IMPLICATIONS

The fiscal impact of exempting from property tax projects financed with industrial revenue bonds or similar financing instruments mostly falls on local governments, particularly counties and school districts. Taxation and Revenue Department has estimated that the amount financed by the Hospital Equipment Loan Council for health equipment is approximately \$100 million, 70

percent of which is for private for-profit hospitals. Using an average property tax rate of 30 mills (dollars per thousand dollars), the property tax decrease is \$700 thousand. However, due to the way property tax is set and collected, the “yield control” provision resets rates across other taxpayers to make up the difference of the \$700 thousand. Thus, there is no net fiscal impact but the tax liability is shifted amongst taxpayers.

SIGNIFICANT ISSUES

When property tax exempt financing is approved by a county or a municipality, there is little or no input from the other governments—municipalities in the case of a county issuing the financing, school districts, special districts—and their revenue is impacted as well as the issuing government.

In small communities, the property tax on hospital equipment may constitute a significant portion of the local governments’ tax base and so exempting the equipment may impose a burden on the remaining tax base.

EDD:

The property tax exemption would allow health facilities to be exempt from property taxes under this expansion of the Industrial Revenue Bond Act. Currently, the law does not allow the hospital council to issue IRBs that exempt health facilities from property taxes. The use of the IRBs would allow New Mexico communities to attract new or expand existing health care facilities in New Mexico. This exemption would provide New Mexico communities with the tools to increase their health care infrastructure.

NF/yr