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FISCAL IMPACT REPORT

ORIGINAL DATE 2/14/07

SPONSOR Bandy LAST UPDATED 2/16/07 HB 688

SHORT TITLE Health Care Practitioner Gross Receipts SB _____

ANALYST Schardin

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Non-Rec | Fund Affected |
|---------------|------------|-------------------------|------------------|
| FY07 | FY08 | | |
| | (4,694.7) | Recurring | General Fund |
| | (11,640.3) | Recurring | Federal Funds |

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Non-Rec | Fund Affected |
|-------------------|--------------|------|-------------------------|------------------|
| FY07 | FY08 | FY09 | | |
| | (\$54,450.0) | | Recurring | General Fund |

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 688 expands the gross receipts tax deduction for medical service providers listed in Section 7-9-93 NMSA 1978 that was enacted in 2004. Under current law, that deduction applies to receipts of health care practitioners from payments by a managed health care provider or health care insurer for commercial contract services or Medicare Part C. Receipts from fee-for-service payments are not eligible. The bill make the deduction apply to any receipts of a health care practitioner for health services, including fee-for-service payments.

The effective date of these provisions will be July 1, 2007.

FISCAL IMPLICATIONS

TRD reports that taxable gross receipts of all physicians eligible for expanded gross receipts tax deduction in this bill will be about \$825 million in FY08. At a statewide average tax rate of 6.6 percent, the bill will reduce gross receipts tax collections by about \$54,450.0 thousand. Because Section 7-9-93 holds local governments harmless from the deduction, the entire fiscal impact will be to the general fund.

TRD estimates that about 30 percent of the \$54,450.0 thousand in gross receipts tax reduction, or \$16,335 thousand, will be attributable to receipts paid by Medicaid. Therefore, the bill will reduce Medicaid appropriations by \$16,335 thousand. It is estimated that 71.26 percent of that appropriation reduction will be from federal funds and the remaining 28.74 percent will be from the general fund.

ADMINISTRATIVE IMPLICATIONS

TRD reports the bill will make record-keeping easier for taxpayers. They will still need to separately report their medical services deduction from other deductions such as Medicare Part B in Section 7-9-77.1 but they will not have to determine which insurance payments qualify for the deduction.

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