F I S C A L I M P A C T R E P O R T

SPONSOR Cote **ORIGINAL DATE** 02-26-09 **LAST UPDATED** 03-16-09 **HB** 655/aHFl#1

SHORT TITLE Military Retiree Rural Health Care Tax Credit **SB**

ANALYST Lucero

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	**FY10**	**FY11**		
	(Indeterminate but expected to be minor)	(Indeterminate but expected to be moderate)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		Moderate			Nonrecurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)
Department of Military Affairs (DMA)
Veterans' Services Department (VSD)

SUMMARY

Synopsis of HFl #1 Amendment

House Floor Amendment #1 to House Bill 655 clarifies that the $5,000 and $3,000 tax credits are each tax year. The amendment also requires a military retired health care practitioner to have practiced on a full-time basis to receive the maximum credit and a retired military practitioner who practiced part-time but at least twenty hours per week can claim a one-half credit.

The amendment also changes the definition of "eligible military retiree health care practitioner.

Synopsis of Original Bill

House Bill 655 proposes to enact a new section of the Income Tax Administration Act, to allow a new personal income tax credit for an individual who files a New Mexico personal income tax return, who is not a dependent of another individual, who is an eligible military retiree health care practitioner, and who has provided health care services in New Mexico in a rural health care underserved area in a taxable year.

This new credit shall be referred to as the "military retiree rural health care tax credit". The military retiree rural health care tax credit may be allowed in an amount that shall not exceed $5,000 for all eligible physicians, osteopathic physicians, dentists, clinical psychologists, podiatrists, and optometrists who qualify for the credit. The credit shall not exceed $3,000 for all eligible dental hygienists, physician assistants, certified nurse-midwives, certified registered nurse anesthetists, certified nurse practitioners, and clinical nurse specialists.

The bill provides for the Department of Health (DOH) to determine whether an eligible military retiree health care practitioner qualifies for the credit. DOH shall issue a certificate to the qualifying practitioner and a copy to the Taxation and Revenue Department (TRD). A copy of the certificate shall be submitted by the practitioner when filing a New Mexico income tax return.

The bill allows for an excess portion of an allowable credit to be carried forward for three consecutive taxable years.

The provisions of this bill are applicable to taxable years beginning on or after January 1, 2009.

FISCAL IMPLICATIONS

The Taxation and Revenue Department (TRD) does not have the necessary information to ascertain how many eligible military retiree health care practitioners work in areas designated by the bill as "rural" and "health care underserved area".

SIGNIFICANT ISSUES

This bill provides that a military retiree rural health care practitioner can take this credit in addition to the existing rural health care practitioner credit in Section 7-2-18.22 NMSA 1978.

To qualify for the military retiree rural health care tax credit, an eligible military retiree health care practitioner shall have provided health care during a taxable year for at least 2,080 hours at a practice site located in a rural health care underserved area. An eligible military retiree health care practitioner who provided health care services for at least 1,040 hours but less than 2,800 hours at a practice site located in a rural health care underserved area during a taxable year is eligible for one-half of the credit amount.

An "eligible military retiree health care practitioner" means a military retiree receiving an honorable discharge after twenty years of service in the military who transitioned from a military occupation in medicine, dental, or nursing field into a similar civilian occupation, or a military retiree who enters the educational fields within two years of separation from the military, thus allowing the military retiree to complete any state certifications needed to comply with all state and local requirements for employment in certain targeted fields.

The bill also provides specifics on how eligible taxpayers should apply for and claim the credit.

PERFORMANCE IMPLICATIONS

The Department of Health would have to develop a protocol for the balanced delivery of health care services to designated "rural" areas and to certify performance of services by the eligible health care providers.

ADMINISTRATIVE IMPLICATIONS

Moderate TRD impact: 1) Modify forms, instructions, and publications related to the personal income tax program at minimal costs. This will include changes to Gen Tax, PIT-NET, and the Fed/state internet filing applications. 2) Coordinate with the DOH. 3) Create claim form and instructions for carry forward of the credit. 4) 1/3 FTE will be needed to track, review, and monitor the credits. Develop audit and compliance procedures.

TECHNICAL ISSUES

The bill defines "rural" as outside an urban area in a county with a population of 300,000 or less, which differs from the definitions of rural in Section 7-2-18.22, HB-61, and HB-179. The bill defines "health care underserved area" in the same manner as HB-61 proposes to amend Section 7-2-18.22.

The bill provides that a "health care underserved area" is an area where "there exists a physician shortage of fifteen percent or more, as documented in a needs assessment that has been submitted to the department of health." The bill does not state who may submit a "needs assessment" or any standards to be used in a "needs assessment."

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