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FISCAL IMPACT REPORT

SPONSOR _	Begaye	ORIGINAL DATE LAST UPDATED	03/02/09 HI	3 764
SHORT TITL	E _Local Hospital Gro	ss Receipts Imposition	S	3

ANALYST Gutierrez

REVENUE (dollars in thousands)

	Estimated Revenue	Recurring or Non-Rec	Fund Affected	
FY09	FY10	FY11		
	Indeterminate	Indeterminate	Recurring	Counties*
	(Indeterminate)	(Indeterminate)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

*Except Bernalillo County

Relates to HB55, HB841 and SB89

SOURCES OF INFORMATION

LFC Files

<u>Responses Received From</u> Taxation and Revenue Department (TRD) Health Policy Commission (HPC)

SUMMARY

Synopsis of Bill

House Bill 764 amends the local hospital gross receipts tax act to allow any county other than a class A county having a population of more than three hundred thousand (excludes Bernalillo County) to impose a rate not to exceed ¹/₄ percent, which may be imposed in increments of 1/8 percent. The revenue from this imposed local hospital gross receipts tax will be dedicated as matching funds for state or federal programs benefiting a hospital that is located in the county and is designated as a sole community provider by the Centers for Medicare and Medicaid Services or benefiting patient care at the hospital.

The effective date of the bill's provisions is July 1, 2009.

FISCAL IMPLICATIONS

The fiscal impact of this bill depends on if and when eligible counties choose to impose the local hospital gross receipts tax. To illustrate the potential fiscal impacts of the bill, the table below shows the amount of revenue that could have been generated by each county if the newly

allowed 1/4 percent (0.0025%) local hospital gross receipts tax had been imposed in FY08. About \$72 million could have been generated by counties if all eligible counties had fully imposed the tax in FY08.

The table below also indicates the potential general fund revenue loss that would have occurred if all counties had fully imposed this tax in FY08. The food and medical gross receipts tax deductions enacted in 2004 include "hold harmless" provisions to protect local governments from associated revenue losses. In 2007, legislation froze the tax rate at which some local governments are held harmless from the food and medical deductions. However, in smaller cities, the general fund hold harmless distribution grows larger when higher local option taxes are imposed. The table below shows that the general fund revenue loss would have been about \$1.5 million in FY08 if all eligible counties had chosen to impose the tax.

	Revenue From 1/4% Countywide Local	Potential General Fund Loss From Hold Harmless Distribution Increase
	GRT Option	Due to 1/4% Rate Increase
Bernalillo County	Excluded	Excluded
Catron County	75	(3)
Chaves County	2,971	Hold Harmless Rate Frozen
Cibola County	663	(76)
Colfax County	803	(39)
Curry County	1,817	(245)
De Baca County	56	(6)
Dona Ana County	8,012	Hold Harmless Rate Frozen
Eddy County	5,566	Hold Harmless Rate Frozen
Grant County	1,190	(161)
Guadalupe County	215	(17)
Harding County	76	(1)
Hidalgo County	201	(10)
Lea County	7,750	Hold Harmless Rate Frozen
Lincoln County	1,219	(102)
Los Alamos	3,368	(122)
Luna County	826	(103)
Mckinley County	2,705	Hold Harmless Rate Frozen
Mora County	73	(5)
Otero County	2,045	Hold Harmless Rate Frozen
Quay County	387	(29)
Rio Arriba County	1,399	(138)
Roosevelt County	590	(64)
San Juan County	10,589	Hold Harmless Rate Frozen
San Miguel Co	811	(108)
Sandoval County	4,114	Hold Harmless Rate Frozen
Santa Fe County	9,667	Hold Harmless Rate Frozen
Sierra County	379	(22)
Socorro County	438	(57)
Taos County	1,451	(161)
Torrance County	433	(16)
Union County	461	(14)
Valencia County	1,816	Hold Harmless Rate Frozen
Total All Counties	72,165	(1,499)

Illustration of Potential Revenue from Additional County Local Option Increments - Fiscal Year 2008 (In Thousands)

Source: Taxation and Revenue Department, Reports 500 and Reports 80

SIGNIFICANT ISSUES

In addition to the current state gross receipts tax rate of 5 percent, New Mexico's municipalities and counties are authorized to impose over 4 percent of local option gross receipts taxes (that figure excludes several additional local option taxes that have been authorized for selected local governments). Due to increasing imposition of local option taxes, the statewide gross receipts tax rate is increasing steadily. On average, a local option gross receipts tax of about 2.16 percent will be imposed by local governments statewide by FY10. Combined with the state gross receipts tax of 5 percent, the average statewide tax rate is therefore 7.16 percent.

ADMINISTRATIVE IMPLICATIONS

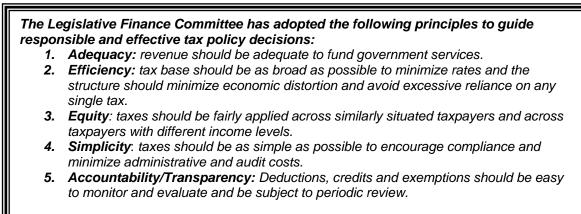
This bill will have a minimal impact on TRD.

RELATIONSHIP

House Bill 764 relates to:

- HB55/SB89 amends the local hospital gross receipts tax act, Section 7-20C-3 NMSA 1978, to permit certain counties to dedicate the tax as matching funds and to extend the period for which the tax is imposed.
- HB841 authorizes the Department of Health (DOH) to identify hospitals that are designated as sole community providers that have failed to transfer to the sole community provider fund sufficient revenue to fully match the federal funds available and to assess a fee, on such hospitals, of 2 percent of the gross patient revenues of that hospital for the previous fiscal year.

BLG/svb



More information about the LFC tax policy principles will soon be available on the LFC website at www.nmlegis.gov/lcs/lfc