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FISCAL IMPACT REPORT

ORIGINAL DATE 01/25/12
LAST UPDATED 02/13/12 **HB** _____

SPONSOR Cisneros

SHORT TITLE Dialysis Center Gross Receipts **SB** 20/aSFC

ANALYST Smith

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY14	FY15	FY16		
(\$290.0)	(\$600.0)	(\$940.0)	Recurring	General Fund
(\$350.0)	(\$720.0)	(\$1,120.0)	Recurring	Local Governments
(\$640.0)	(\$1,320.0)	(\$2,060.0)	Recurring	Total

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received

Human Services Department (HSD)
 Taxation and Revenue Department (TRD)
 Department of Finance and Administration (DFA)

No Responses on SFC Amendment

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee amendment to Senate Bill 20 adds a gross receipts deduction for the receipts of prosethetists orthotists. The deduction is phased in by thirds beginning July 2013 as is the deductions in the original bill. Adding this deduction should add another \$40 thousand to \$80 thousand to the bill's total fiscal impact.

Synopsis of Original Bill

Senate Bill 20 is intended to provide for a deduction from gross receipts of payments for payments by Centers for Medicare & Medicaid Services (CMS) to Medicare-eligible patients of private dialysis facilities and to clarify the definition of dialysis facility. The deduction is phased in over a 3-year period: 1/3 in FY 2014; 2/3 in FY 2015; and 100% after June 30, 2015.

Effective Date: July 1, 2012

FISCAL IMPLICATIONS

TRD reports that according to the Dialysis Patient Citizens organization, there are 2,604 dialysis patients in New Mexico. There are 32 dialysis centers in New Mexico: 20 of which are for-profit and would qualify for the deduction. Correspondingly, the proportion of chairs in private dialysis centers to the total number of chairs is 62.4%, so the estimates are adjusted by this proportion. This revenue estimate uses information from the United State Renal Data System (USRDS) and assumes that 75% of individuals undergoing hemodialysis or peritoneal dialysis are primarily insured through Medicare. Estimated Medicare cost per patient for dialysis services only excluding separately billable drugs and other charges is \$17,851 according to 2009 USRDS data.

SIGNIFICANT ISSUES

The LFC has adopted tax principles that are favor a broad base and low rate. This bill narrows the gross receipts tax base.

This bill may be counter to the LFC tax policy principle of adequacy. According to the LFC staff General Fund Recurring Appropriation Outlook for FY14 and FY15, December 2011 forecasted revenues will be insufficient to cover growing recurring appropriations.

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy:** Revenue should be adequate to fund needed government services.
2. **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity:** Different taxpayers should be treated fairly.
4. **Simplicity:** Collection should be simple and easily understood.
5. **Accountability:** Preferences should be easy to monitor and evaluate

The sponsor might wish to consider a sunset clause for this deduction.

SS/svb