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FISCAL IMPACT REPORT

ORIGINAL DATE 02/22/13

SPONSOR Martinez, R. LAST UPDATED _____ HB 427

SHORT TITLE Expand Rural Health Care Tax Credit SB _____

ANALYST Smith

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15	FY16	FY17		
	(\$3,000.0)	(\$6,000.0)	(\$6,000.0)	(\$6,000.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)

No Response Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 427 would modify Section 7-2-18.22 NMSA 1978, to expand the type of practitioner eligible for qualification under the program. HB427 would add occupational therapists, physical therapists, social workers, and speech-language pathologists to the list of practitioners eligible to participate in the tax credit program.

FISCAL IMPLICATIONS

TRD estimates are not available. These numbers are extrapolations from other TRD FIR's.

This bill may be counter to the LFC tax policy principle of adequacy, efficiency and equity. Due to the increasing cost of tax expenditures revenues may be insufficient to cover growing recurring appropriations.

Estimating the cost of tax expenditures is difficult. Confidentiality requirements surrounding

certain taxpayer information create uncertainty, and analysts must frequently interpret third-party data sources. The statutory criteria for a tax expenditure may be ambiguous, further complicating the initial cost estimate of the expenditure's fiscal impact. Once a tax expenditure has been approved, information constraints continue to create challenges in tracking the real costs (and benefits) of tax expenditures.

SIGNIFICANT ISSUES

The Department of Health believes that Allied health professionals such as occupational therapists, physical therapists, speech pathologists and social workers, are partners in most aspects of health care: preventing disease, managing chronic disease, diagnosing diseases and infections, providing direct patient care. Allied health professionals constitute 60-65% of the health care workforce. An estimated 8-10 allied health professionals are required for every physician. Rural areas in New Mexico lack ways to attract sufficient allied health professionals and the health professional shortage affects these professions as well as physicians, nurses, and dentists. A shortage of at least 1.6 million to 2.5 million allied health workers in the U.S. is predicted by 2020. Allied health professionals are a key component in increasing and improving access to health care. Workforce shortages in allied health professions are as severe as in nursing, or worse. Health care access problems cannot be solved without addressing allied health workforce shortages.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is not met since TRD is not required in the bill to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking the deduction and other information to determine whether the deduction is meeting its purpose.

TECHNICAL ISSUES

This bill does not contain a sunset date. The LFC recommends adding a sunset date.

POSSIBLE QUESTIONS

1. Is the purpose of this credit to attract individuals to practice in rural areas or to give the credit to individuals already practicing in rural areas?

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