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

ORIGINAL DATE 1/29/16
SPONSOR Sanchez C. **LAST UPDATED** **HB**

SHORT TITLE Energy Employee Health Program Gross Receipts **SB** 93

ANALYST McIntyre

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY16	**FY17**	**FY18**	**FY19**	**FY20**		
	($466.0)	($466.0)	($466.0)	($466.0)	Recurring	State General Fund
	($329.0)	($329.0)	($329.0)	($329.0)	Recurring	Local General Fund

Parenthesis ( ) indicate revenue decreases

Conflicts with HB 212

SOURCES OF INFORMATION
LFC Files

No Response Received From
Taxation and Revenue Department (TRD)
Department of Health (DOH)

SUMMARY

Synopsis of Bill

Senate Bill 93 expands the gross receipts tax (GRT) deduction for certain medical and health care services, Section 7-2-18.14 NMSA 1978, to include home health agency payments for beneficiaries of the federal Energy Employees Occupational Illness Compensation Program Act of 2000 (EEOICPA).

The effective date of this bill is July 1, 2016. The delayed repeal of this bill is June 30, 2026.

FISCAL IMPLICATIONS

The total value of medical bills paid to EEOICPA beneficiaries in New Mexico is $661 million since the inception of the program, according to the Department of Labor. Medical bill payment and compensation for EEOICPA beneficiaries at both Sandia and Los Alamos national labs averaged 20 percent of the total payout over the last year, so gross receipts from EEOICPA health care expenses are estimated to be $130 million annually, assuming claims are continually filed at a constant rate. Analysis of gross receipts collected in 2015 indicates that 8.75 percent of health care gross receipts are associated with home health services. Assuming that EEOICPA beneficiaries utilize home health services at the same rate as the state average implies that $11 million in gross receipts are generated by EEOICPA home health providers each year. Under this legislation, a state and local GRT rate of 4.1 percent and 2.9 percent, respectively, generates net negative revenue of $466 thousand for the state and $329 thousand for local government beginning in FY17.

SIGNIFICANT ISSUES

According to the Department of Labor, EEOICPA beneficiaries receive care from certified providers, who then bill the Department of Labor for the cost of care. Assuming that the federal government does not reimburse GRT paid by the provider, then this legislation would eliminate the GRT liability of the provider by FY21. The EEOICPA beneficiary of home health care does not pay GRT for the service and so would see no reduction in GRT liability under this legislation.

CONFLICT

This bill is in conflict with HB 212, which uses the same language but phases the tax credit in over four years beginning in FY18.

TECHNICAL ISSUES

There is no effective start date for the deduction, and so it is assumed to begin July 1, 2016.

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

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