

BILL ANALYSIS AND FISCAL IMPACT REPORT
Taxation and Revenue Department

January 22, 2025

Bill: HB-52

Sponsor: Representative Miguel P. Garcia

Short Title: Rural Health Care Tax Credit Eligibility

Description: This bill amends Section 7-2-18.22 NMSA 1978 to include licensed practical nurses, emergency medical technicians, paramedics, speech-language pathologists, occupational therapists, and chiropractic physicians in the definition of eligible healthcare practitioners who may claim this credit.

Effective Date: Not specified; 90 days following adjournment (June 20, 2025).

Taxation and Revenue Department Analyst: Sara Grubbs

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2025	FY2026	FY2027	FY2028	FY2029		
--	(\$2,210)	(\$2,210)	(\$2,210)	(\$2,210)	R	General Fund

* In thousands of dollars. Parentheses () indicate a revenue loss. ** Recurring (R) or Non-Recurring (NR).

Methodology for Estimated Revenue Impact: To compute the fiscal impact, the Taxation and Revenue Department (Tax & Rev) used the information provided by the New Mexico Department of Workforce Solutions' Occupational Employment and Wages for 2023 for the 6 additional health care occupations¹. This includes the number of workers employed and the average associated annual salary.

Tax & Rev then used the information provided by the New Mexico Health Care Workforce Committee (HCWC) annual reports from 2023 and 2024 to estimate the percentage of these providers practicing in nonmetropolitan areas at 23%. Based on these calculations, approximately 1,343 health care professionals would be newly eligible for the credit.

Using the Rural Health Care Tax Credit expenditure data from the New Mexico Tax Expenditure Report from 2019 to 2023², Tax & Rev assumed the distribution of the new population of practitioners claiming the credit between full-time and part-time credits to be 60:40. Some of the providers in metropolitan areas may qualify for part-time credits if they perform some of their practice in rural qualified areas; but such metropolitan providers are not assumed in this estimate. Tax & Rev then assumed a percentage share of the credit that these newly eligible taxpayers may apply to their annual tax year liability, given the associated average salaries for the new categories of practitioners eligible for the \$3,000 maximum credit. For speech-language pathologists, occupational therapists, and chiropractic physicians, the tax liability based on their average salary is assumed to reach the \$3,000 credit amount. But for the other categories of newly eligible practitioners, it was assumed that, based on their average salaries, an average of 40% of the full credit amount and 79% of the half credit will be claimed.

Tax & Rev assumes no growth in the number of professionals eligible for the credit each year. Given the presumed intent to improve access to health care, this credit could see growth as more professionals provide services in qualified rural areas.

¹ <https://www.dws.state.nm.us/en-us/Researchers/Data/Occupations-Wages>

² [Forms & Publications : Taxation and Revenue New Mexico](#)

Tax and Rev assumed the changes are applicable to Tax Year 2025 as it is not specified in the bill. (See Technical Issues below.)

Approximately 398 licensed practical nurses would be eligible for the credit and is the largest component of the fiscal impact among the new health care professionals at 27% of the total³. The next largest component of the fiscal impact is from speech-language pathologists with approximately 244 eligible providers accounting for 26% of the total fiscal impact. While there are fewer speech-language pathologists compared to licensed practical nurses, the average annual salary for a speech-language pathologist is over two times the average salary of a licensed practical nurse.

Policy Issues: Personal income tax (PIT) represents a consistent source of revenue for many states. For New Mexico, PIT is approximately 25% of the state’s recurring general fund revenue. While this revenue source is susceptible to economic downturns, it is also positively responsive to economic expansions. New Mexico is one of 41 states, along with the District of Columbia, that impose a broad-based PIT (New Hampshire and Washington do not tax wage and salary income). Like several states, New Mexico computes its income tax based on the federal definition of taxable income and ties it to other states in the federal tax code. This is referred to as “conformity” to the federal tax code. The PIT is an important tax policy tool that has the potential to further both horizontal equity, by ensuring the same statutes apply to all taxpayers, and vertical equity, by ensuring the tax burden is based on taxpayers’ ability to pay.

The proposed changes of the rural health care practitioner tax credit will erode horizontal equity in state income taxes. By basing the credit on profession and location of work, taxpayers in similar economic circumstances are no longer treated equally. Thus, two dentists who earn the same salary may have different tax liability given where they work. The proposed changes to expand eligible occupations further erodes that horizontal equity by potentially increasing the pool of qualified taxpayers. The other side of this credit is the broader public good of subsidizing medical professional employment in rural areas for the betterment of New Mexico residents’ quality of life in those areas. There are health, social, and environmental benefits gained by serving residents in their home communities versus those residents incurring travel costs, time commitment, and other burdens to travel long distances, or not receive care at all.

The HCWC has routinely recommended expansion of the rural health practitioner tax credit, including listing it as Recommendation 7 from the HCWC 2023 Annual Report. The annual report notes that pharmacists, physical therapists, social workers, and counselors who are included in the expansion of this credit are particularly needed in many areas of the state. By expanding the population of eligible practitioners, this credit could further incentivize the recruitment and retention of professionals to work in rural areas of the state, where residents are currently medically underserved.

The current credit does not include a sunset date. Tax & Rev supports sunset dates for policymakers to review the impact of a credit before extending it if a sufficient timeframe is allotted for tax incentives to be measured. Given the expansion of this credit and the additional cost to the state, a sunset date would force an examination of the benefit of this credit versus the cost.

Technical Issues: This bill does not specify an applicability date. Tax and Rev recommends the inclusion of an applicability date for clarity in the tax code to avoid confusion for both the taxpayer and the implementation by Tax and Rev. Tax & Rev suggests the following language: “**Section 2. APPLICABILITY.** –The provisions of this act apply to taxable years beginning on or after January 1,

³ The New Mexico Department of Workforce Development reports labor data on licensed practical or vocational nurses. According to the U.S. Bureau of Labor Statistics, these vocations are identical, the title depends on the state; California and Texas use the term vocational nurse, while all other states use practical nurse.

2025.”

Other Issues: This bill expands the population of taxpayers that will qualify for this tax credit. Tax and Rev is currently working with the Department of Health (DOH) to facilitate an exchange of tax credit certification data. Through the electronic submission of these records, Tax & Rev staff workload will be able to absorb the additional claims from taxpayers who qualify for the credit.

Administrative & Compliance Impact: The bill will require changes to the GenTax system, return forms and instructions, publications, regulations, and taxpayer education. The implementation of these changes will be included in the annual tax year changes.

Related Bills: Similar to HB-163 (2024 regular session)