

LFC Requestor: Self Assigned

**2025 LEGISLATIVE SESSION  
AGENCY BILL ANALYSIS**

**Section I: General**

**Chamber:** Senate

**Category:** Bill

**Number:** 296

**Type:** Introduced

**Date (of THIS analysis):** 2/7/2025

**Sponsor(s):** Nicole Tobiassen, Carrie Hamblen, Pat Woods, Jay C. Block, Natalie Figueroa

**Short Title:** Physician Income Tax

**Reviewing Agency:** Agency 665 - Department of Health

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**Section II: Fiscal Impact**

**APPROPRIATION (dollars in thousands)**

Appropriation Contained		Recurring or Nonrecurring	Fund Affected
FY 25	FY 26		
\$0	\$0	N/A	N/A

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY 25	FY 26	FY 27		
\$0	\$0	\$0	N/A	N/A

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY 25	FY 26	FY 27	3 Year Total Cost	Recurring or Non-recurring	Fund Affected
<b>Total</b>	\$0	\$0	\$0	\$0	N/A	N/A

Operating costs would be for New Mexico Higher Education Department (NMHED) and New Mexico Taxation and

Revenue Department (NMTRD).

### **Section III: Relationship to other legislation**

Duplicates: None

Conflicts with: None

Companion to: None

Relates to: House Bill 52 (HB52)

Duplicates/Relates to an Appropriation in the General Appropriation Act: None

### **Section IV: Narrative**

#### **1. BILL SUMMARY**

a) Synopsis

Senate Bill 296 (SB 296) proposes to create a new section of the Income Tax Act to provide a credit for Physician Income Tax Credit in the amount of fifty thousand dollars (\$50,000) for the taxable year to a taxpayer who is a physician and has completed medical residency, practices medicine full time in New Mexico, and has an outstanding balance on student loan(s). A new section of the Income Tax Act would be enacted to read:

- A taxpayer who is a physician and has completed a medical residency may claim a credit against the taxpayer's tax liability for up to five (5) consecutive taxable years in which the taxpayer practices medicine full-time in New Mexico (NM).
- A physician to have an outstanding balance of a student loan taken to defray the expenses of a medical education.
- The amount of the tax credit is equal to fifty thousand dollars (\$50,000) for the taxable year.
- A taxpayer shall apply for certification of eligibility from the NM Higher Education Department (HED). If the NMHED determines taxpayer meets eligibility, this department will issue a dated certificate of eligibility to the taxpayer, for which the taxpayer is eligible and the taxable years in which the credit may be claimed. NMHED would provide the certificates of eligibility.
- Portion of tax credit that exceeds a taxpayer's income tax liability in the taxable year shall be refunded to taxpayer.
- Credit shall be claimed within three taxable years.
- Credit provided shall be included in the tax expenditure budget Pursuant to Section 7.1.84 NMSA 1978, including annual aggregate cost of the credit.
- "Physician" means, a physician licensed pursuant to the provision of the Medical Practice Act, an Osteopathic Physician licensed pursuant to Medical Practice Act, or a Dentist licensed pursuant to the Dental Health Care Act

- “Practice Medicine Full Time” means providing health care within the scope of the physician’s practice for at least one thousand five hundred eight four (1584) hours during the taxable year.

SB296 would impact NMHED for administrative operations to review applications and distribute Certificates of Eligibility to each eligible provider. The New Mexico Taxation and Revenue Department (TRD) would also be impacted for administrative operations to issue and track this tax credit. Additional staffing and funding for both agencies would be needed to administer requirements in SB296.

Provision of this act would apply to taxable year beginning on or after January 1, 2025.

Is this an amendment or substitution?  Yes  No

Is there an emergency clause?  Yes  No

b) Significant Issues

New Mexico continues to experience a shortage of medical providers, particularly in rural areas. According to the most recent data from 2021, published in a 2024 study by the University of New Mexico, the state needs an additional 334 primary care providers, 59 OB-GYNs, 10 general surgeons, 119 psychiatrists, and 88 dentists to meet national benchmarks for provider-to-population ratios. Additionally, New Mexico faces a nursing shortage. Based on 2023 data, the state requires 5,822 more nurses and clinical nurse specialists to reach national benchmarks. ([New Mexico Health Care Workforce Committee 2024 Annual Report](#)).

Addressing rural healthcare workforce strategies are part of a multi-pronged approach with no one effort being capable of solving all the issues related to provider recruitment. SB298 could encourage healthcare providers to stay and provide services in New Mexico if healthcare providers would be exempt from paying income tax for the next ten years. However, as it is written, SB298 does little to encourage providers to live and work in underserved areas of the state, which are already disproportionately affected by the overall health professional shortage.

SB296 could help retain New Mexico's current physicians, osteopathic physicians, and dentists, as well as recruit new clinicians. The state faces a shortage of healthcare professionals, including administrative staff, and as the demand for healthcare services grows, stabilizing the workforce becomes even more crucial. By offering retention incentives, SB296 could encourage healthcare practitioners to remain in New Mexico, helping to address workforce shortages and ensure continued access to care.

There are several significant issues that will need to be addressed in SB296:

- SB296 references, “A taxpayer who is a physician and has completed a medical residency may claim a credit against the taxpayer's tax liability imposed pursuant to the Income Tax Act...”. This provision would exclude dentists as dentists do not complete medical residencies. Similarly, SB296 defines eligible practice as “practices medicine full-time”. This definition would not cover dental practice.
- SB296 would make this tax credit available to an eligible “taxpayer”. A “taxpayer” is an individual. It is recommended to clarify how joint returns would be considered, as the taxpayer in those instances could be considered a couple.

- SB296 would establish a refundable tax credit for all physicians with an outstanding medical education loan. Standard tax credits can be applied solely to the tax liability of the individual taxpayer. This is an important distinction. Some tax credits, such as those in the Rural Health Care Practitioner Tax Credit Program (RHCPTC), can roll over any unused tax credit balance to subsequent taxable years. In contrast, a refundable tax credit will, first, use the credit to offset a taxpayer's annual tax liability, and then, provide the taxpayer a payment for any balance remaining – New Mexico would issue a check for the balance.
- The refundable nature of the credit is an issue insofar as it relates to other existing programs. The \$50,000 amount is much larger than the awards of the current RHCPTCP, State Loan Repayment Program (under New Mexico Higher Education Department), and the Federally administered National Health Service Corps (NHSC) Loan Repayment Program. SB296 will likely limit the attractiveness of those other programs as this bill has no practice requirements – i.e., limitation to underserved areas or rural areas – it will shift participation in those programs to physicians working in urban and/or non-underserved areas.

## 2. PERFORMANCE IMPLICATIONS

- Does this bill impact the current delivery of NMDOH services or operations?

Yes  No

If yes, describe how.

- Is this proposal related to the NMDOH Strategic Plan?  Yes  No

**Goal 1:** We expand equitable access to services for all New Mexicans

**Goal 2:** We ensure safety in New Mexico healthcare environments

**Goal 3:** We improve health status for all New Mexicans

**Goal 4:** We support each other by promoting an environment of mutual respect, trust, open communication, and needed resources for staff to serve New Mexicans and to grow and reach their professional goals

## 3. FISCAL IMPLICATIONS

- If there is an appropriation, is it included in the Executive Budget Request?

Yes  No  N/A

- If there is an appropriation, is it included in the LFC Budget Request?

Yes  No  N/A

- Does this bill have a fiscal impact on NMDOH?  Yes  No

## 4. ADMINISTRATIVE IMPLICATIONS

Will this bill have an administrative impact on NMDOH?  Yes  No

## 5. DUPLICATION, CONFLICT, COMPANIONSHIP OR RELATIONSHIP

SB296 could be related to HB52 which would provide a tax credit to current eligible practitioners in Section 7-2-18.22 NMSA 1978 Rural Health Care Practitioner Tax Credit. SB296 is also related to SB298 which provides a tax exemption to physicians for a period of 10 years beginning with the 2025 tax year.

## 6. TECHNICAL ISSUES

Are there technical issues with the bill?  Yes  No

SB296 references, “A taxpayer who is a physician and has **completed a medical residency** may claim a credit against the taxpayer's tax liability imposed pursuant to the Income Tax Act...”. This can be an issue for dentists included as dentists do not complete medical residencies. Refer to page 1, lines 17-18, to have completed medical residency.

Similarly, SB296 defines eligible practice as “practices medicine full-time”. This definition would not cover dental practice. Refer to page 3, lines 9-12.

## 7. LEGAL/REGULATORY ISSUES (OTHER SUBSTANTIVE ISSUES)

- Will administrative rules need to be updated or new rules written?  Yes  No
- Have there been changes in federal/state/local laws and regulations that make this legislation necessary (or unnecessary)?  Yes  No
- Does this bill conflict with federal grant requirements or associated regulations?  
 Yes  No
- Are there any legal problems or conflicts with existing laws, regulations, policies, or programs?  Yes  No

## 8. DISPARITIES ISSUES

New Mexico’s health system poses some challenges for improving the health status of the population as New Mexico’s population is not evenly distributed across the state geographically. Of New Mexico’s 33 counties, seven contain predominantly urban areas defined as part of Metropolitan Statistical Areas. The remaining 26 Non-Metropolitan counties are considered rural or frontier in nature ([New Mexico Rural Health Plan](#), June 2019). A tax credit that does not incentivize clinicians to practice in rural or underserved areas may worsen healthcare disparities.

Due to current healthcare reimbursement systems, communities with a large proportion of low-income residents and rural communities may not generate sufficient paying demand to assure that providers will practice in these locations. The rural to urban migration of health professionals inevitably leaves poor, rural, and remote areas underserved and disadvantaged. Skilled health professionals are increasingly taking job opportunities in the labor market in high-income areas as the demand for their expertise rises.

## 9. HEALTH IMPACT(S)

SB296 could help to improve the health of populations in NM by providing an incentive that could maintain and/or increase the number of healthcare providers for the state.

## 10. ALTERNATIVES

None.

**11. WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?**

If SB 296 is not enacted, the Income Tax Act would not be modified to provide a new income tax credit to eligible physicians in New Mexico.

**12. AMENDMENTS**

None.