

LFC Requestor: LFC Contractor

2025 LEGISLATIVE SESSION
AGENCY BILL ANALYSIS

Section I: General

Chamber: Senate

Category: Bill

Number: 298

Type: Introduced

Date (of THIS analysis): 02/07/2025

Sponsor(s): Nicole Tobiassen, Pat Woods, Jay C. Block, David M. Gallegos

Short Title: 10-Year Exempt Health Practitioners From 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
Total	\$0	\$0	\$0	\$0	N/A	N/A

Section III: Relationship to other legislation

Duplicates: None

Conflicts with: None

Companion to: None

Relates to: Senate Bill 249 (SB249), Senate Bill 296 (SB296), House Bill 226 (HB226)

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

Section IV: Narrative

1. BILL SUMMARY

a) Synopsis

Senate Bill 298 (SB298) proposes to add a new section to the Income Tax Act. SB298 would make New Mexico health care providers exempt from income taxation on income derived from providing health care in New Mexico within the scope of the practitioner's practice. The provisions of this act apply to taxable years beginning on or after January 1, 2025, and ending January 1, 2035.

The proposed exemptions would be for licensed:

1. Chiropractic physicians
2. Dentists
3. Dental Hygienists
4. Acupuncturists
5. Optometrists
6. Physicians (MDs and DOs)
7. Physician Assistants
8. Physical Therapists
9. Podiatrists
10. Psychologists

Is this an amendment or substitution? Yes No

Is there an emergency clause? Yes No

b) Significant Issues

In 2024, New Mexico had an estimated total population of 2,130,256 in 33 counties ([U.S. Census Bureau QuickFacts: New Mexico](#)). Since the demands for healthcare services and providers continue to increase, providing incentives such as income tax exemptions to health care providers may help stabilize and improve healthcare services. SB298 could encourage healthcare providers to stay and provide services in New Mexico if healthcare providers would be exempt from income tax.

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, and 119 psychiatrists 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.

Currently, there are no states that offer income tax exemptions specifically for healthcare providers. SB298 may offer a more competitive environment for recruiting health professionals from out-of-state as well as incentivize current residents and students to remain in New Mexico.

Healthcare practitioners are specifically defined in SB298 as primarily doctoral level practitioners. Given the shortage across healthcare professions it may be reasonable to include other categories of practitioners licensed at a doctoral level– e.g. Doctors of pharmacy, and nursing practice.

SB298 proposes an income tax exemption for full-time practitioners. There is no definition of full-time practice, unlike in similar legislation. Similarly, practice is not clearly defined in SB298. Practice could include hours spent on research, administration, or supervision rather than direct patient care. These issues could be clarified by additional language in the bill.

2. PERFORMANCE IMPLICATIONS

- Does this bill impact the current delivery of NMDOH services or operations?
 Yes No
- 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

- SB249 is related to SB298 by proposing a gross receipts tax reimbursement for healthcare providers.
- SB296 is related to SB298 by proposing a tax credit for physicians.
- HB226 is related to SB298 by proposing an increase in the tax credit allowable for rural healthcare providers.

6. TECHNICAL ISSUES

Are there technical issues with the bill? Yes No

Two technical issues could be clarified by additional language in the bill for the following:

1. SB298 proposes an income tax exemption to full-time practitioners. There is no definition of “full-time” practice, unlike in related legislation. Refer to page 1, line 20.
2. Similarly, “practice” is not clearly defined. “Practice” could include hours spent in research, administration, or supervision. Refer to page 1, line 20 and line 22.

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, especially in rural and frontier areas, struggles with a shortage of healthcare professionals. Attracting, retaining, and growing a robust network of healthcare providers in rural communities can be challenging due to factors such as lower reimbursement rates and a lack of infrastructure. Consequently, programs to deal broadly with issues must first assess the abilities at each level – state, county and local – to overcome them.

(<https://pubmed.ncbi.nlm.nih.gov/37214231/>).

SB298 may incentivize health professionals to come work or remain in New Mexico for the sake of receiving income tax exemptions, but the providers may not choose to work in underserved areas and instead choose to live in urban centers where education, housing, and diverse work opportunities for spouses may be more readily available. This runs the risk of worsening health disparities for rural and frontier communities in New Mexico.

9. HEALTH IMPACT(S)

New Mexico communities throughout the state could benefit from having increased access to healthcare. The public's health outcomes depend a great deal on the ability to access affordable, high-quality healthcare. And without healthcare providers, rural, frontier, and vulnerable populations such as migrants and unhoused New Mexicans will suffer from more frequent illness, death, and disability. SB298 may increase access to healthcare for New Mexicans and therefore improve health outcomes.

10. ALTERNATIVES

None.

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

If SB298 is not enacted, then health care professionals living and working in New Mexico will not be made exempt from income tax on income derived from providing health care in New Mexico within the scope of the health care practitioner's practice for 10 years.

12. AMENDMENTS

None.