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FISCAL IMPACT REPORT

SPONSOR SWMC DATE TYPED 02/12/98 HB _____
 SHORT TITLE Medical & Health Care Credit CS/SB 62/SWMC
 ANALYST Gallegos

REVENUE (Thousands)

Estimated Revenue FY99	Estimated Revenue FY00	Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
\$ (1,400.0)	\$ (2,900.0)	\$ (4,500.0)	<u>Recurring</u>	<u>Gen. Fund</u>
\$ (800.0)	\$ (1,800.0)	\$ (2,700.0)	<u>Recurring</u>	<u>Munis.</u>
\$ (100.0)	\$ (200.0)	\$ (300.0)	<u>Recurring</u>	<u>Counties</u>

(Parenthesis () Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to _____

SOURCES OF INFORMATION

Taxation and Revenue Department

SUMMARY

Synopsis of Bill

This bill proposes to permit a graduated deduction from gross receipts for the receipts of medical doctors and osteopaths from the sale of medical and other health care services to the US government or any agency (Medicare covered patients).

- A) for the period July 1, 1998 to June 30, 1999 the deduction is 33 1/3% of the receipts from the sale of medical and other health care services;
- B) for the period July 1, 1999 to June 30, 2000 the deduction is 66 2/3% of the receipts from the sale of medical and other health care services; and
- C) for periods beginning on July 1, 2000 and thereafter the deduction is 100% of the receipts from the sale of medical and other health care services.

OTHER SUBSTANTIVE ISSUES

The Taxation and Revenue Department has identified several substantive issue some are below:

1. Roughly 24% of New Mexico Medicare B payments go to non-physician medical professionals. This estimate is arrived at by taking the difference between the TRD estimate of Medicare B reimbursement to physicians and a value provided in the State Health Expenditure Accounts which appears to include the services of physicians, osteopaths, and all other eligible medical professionals. If it is good policy to allow licensed physicians and osteopaths this deduction, it seems even better policy to extend the preference to all health care professionals who receive Medicare B reimbursement. M.D.s and osteopaths are the highest paid practitioners in this group and thus, presumably, the best able to absorb the gross receipts tax. Expansion of the deduction would prevent this inequity while significantly diminishing regulatory and audit effort and minimizing the potential for subsequent legal skirmishes.
2. Is the real intent of this bill to exclude psychologists, nurses, physical therapists, occupational therapists, and speech therapists from this deduction. These practitioners also received Medicare Part B receipts.

[See Taxation and Revenue Department Fiscal Impact Report dated Feb. 12, 1998 for more details.]

MFG/njw