



2017 Legislative Session Gross Receipt Tax Reform

In a perfect system, health care providers would not pay gross receipt tax (GRT). However, they do and, given the state's economic situation, the tax will not be repealed any time soon. The question now is whether the state continues the practice of taxing providers unequally – from 0% to 50% to 100% depending on provider type – or it moves to a uniform system of taxing all providers at a lower but equal rate, regardless of provider type.

New Mexico Medical Society has supported legislation to give physicians a tax deduction for GRT on payments from Medicare and Managed Care. NMMS has continued to seek a tax deduction for receipts from co-pays and deductibles. The Society has attempted to hold local communities harmless on the fiscal impact. However, with the current state budget in deficit, legislators are considering repealing these important tax deductions for physicians/hospitals/providers.

One of the many inequities of the GRT system is that it pits physician practices that pay GRT against not-for-profit facilities, state institutions, and other practice settings that are exempt from GRT. This lack of parity creates an 8% disadvantage to private practices.

Physicians currently must pay GRT on all deductible and co-pays collected in their practice as well as on other services for which a tax deduction is not allowed. Physicians must also pay GRT on all revenues collected by Medicaid. This money is matched with federal funds at a 3 to 1 ratio which is used by the state to support the Medicaid budget by \$36M.

Recently, the Human Services Department considered having a broad based 2% provider tax on all health care providers, which is allowable under Centers for Medicare and Medicaid Services (CMS). The provider tax collected would be leveraged with 3 to 1 federal matching funds, funds which would be turned around to help fund Medicaid as well as used to enhance reimbursement rates to providers.

Replacing a system that taxes some providers at varying rates and shelters others from any tax at all with a broad based tax of 2% on all licensed facilities and medical providers would achieve three important goals:

- 1) Eliminate the disparity in GRT assessed to different provider types,
- 2) Simplify a physician's tax filing (making it more accurate as well),
- 3) Increase the Medicaid budget which brings to the state a 3 to 1 federal match of funds.

The Society encourages members to discuss the need for flat tax relief that is a more equitable to all health care providers, will enhance the support for Medicaid funds, and increase state revenue.

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