

***Medical Services Gross Receipts Tax  
Deductions, Exemptions and Credits***

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## **Summary of Presentation**

- **Receipts from Medicare Payments, TRICARE and Indian Health Service (Section 7-9-77.1)**
- **Receipts from Payment by Managed Health Care Providers or Health Care Insurers (Section 7-9-93)**
- **Other Medical-Related Gross Receipts Tax Deductions, Exemptions and Credits**
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## **Receipts from Medicare Payments, TRICARE and Indian Health Service (Section 7-9-77.1)**

- **Section 7-9-77.1 allows a deduction for receipts of certain health care professionals from performing health care services for Medicare patients (other than Medicare Part C)**
  - **To qualify, services must be performed by one of the following practitioners:**

- medical doctors	- nutritionists
- osteopathic physicians	- dietitians
- hospices	- occupational therapists
- podiatrists	- optometrists
- doctors of oriental medicine	- pharmacists
- athletic trainers	- physical therapists
- chiropractic physicians	- psychologists
- counselor & therapist practitioners	- radiological technologists
- dentists	- respiratory care practitioners
- massage therapists	- audiologists
- naprapaths	- speech-language pathologists
- nurses	- social workers
- **Section 7-9-77.1 allows a deduction for receipts of:**
  - **A third-party administrator of the federal TRICARE program for providing medical and other health services performed by a medical doctor or an osteopathic physician**
  - **Medical doctors and osteopathic physicians from the Indian Health Service (IHS) for services to beneficiaries covered by the IHS**
  - **Clinical laboratories for medical services provided to Medicare beneficiaries; and**
  - **Receipts of a health home agency for medical, other health and palliative services provided to Medicare beneficiaries**
- **All of these receipts and the associated deductions are reported on the CRS-1 Form with no special reporting requirements**

## **Receipts from Payments by Managed Health Care Providers or Health Care Insurers (Section 7-9-93)**

- Section 7-9-3 allows a deduction for receipts of certain *health care practitioners* if the receipts are from payments by a *managed health care provider or health care insurer* for *commercial contract services* or *Medicare Part C services* provided by a health care practitioner
  - The terms and phrases in *italics* above and below are defined on the following page
- To qualify for this deduction, receipts must meet all four of the following conditions:
  - 1) The health care services must be provided by a health care practitioner;
  - 2) The health care services must be within the practitioner's recognized *scope of practice*;
  - 3) The receipts must be from a managed health care provider; and
  - 4) The payment must be made for either commercial contract services or Medicare Part C services
- Receipts from *fee-for service payments* by a health care insurer do not qualify for this deduction
- Receipts deductible under any other section of the Gross Receipts and Compensating Tax Act do not qualify for this deduction
- Receipts from co-payments, deductibles or any other payments made by a patient according to a medical plan do not qualify for this deduction
- Receipts deductible under Section 7-9-93 must be separately stated on the CRS-1 Form so that local governments can be "held harmless"
- In FY08, the deduction in Section 7-9-93 reduced General Fund revenues by \$58 million, of which \$27 million was for "hold harmless" distributions to local governments and the remaining \$31 million was direct loss of State gross receipts tax

### **Definitions under Section 7-9-93**

- ***Health care practitioners*** are limited to:

- chiropractic physicians
- dentists or dental hygienists
- physicians or physician's assistants
- podiatrists
- registered occupational therapists
- osteopathic physicians
- osteopathic physician's assistants
- physical therapists
- psychologists
- registered lay midwives
- clinical laboratories
- optometrists
- independent social workers
- respiratory care practitioners
- doctors of oriental medicine
- speech-language pathologists or audiologists
- mental health counselors, marriage and family therapists and art therapists
- registered nurses, licensed practical nurses, certified registered nurse anesthetists, nurse practitioners or nurse midwives

- ***Health care insurer*** is a person who has a valid certificate of authority in good standing according to the New Mexico Insurance Code to act as an insurer, health maintenance organization or nonprofit health care plan or prepaid dental plan and who contracts to reimburse licensed health care practitioners for providing basic health services to the insured parties at negotiated fee rates

- ***Managed health care providers*** are entities that deliver comprehensive basic health care services and medically necessary services to persons enrolled in a recognized plan. The services may be provided through the entity's employed health care providers or through selected or participating providers under contract to the managed health care provider. Qualifying managed health care providers must supply comprehensive basic health care services to enrollees on a contract basis.

- ***Commercial contract services*** are health care services performed by a health care practitioner under a contract with a managed health care provider or health care insurer. Excluded are health care services provided for Medicare patients according to Title 18 of the federal Social Security Act or for Medicaid patients according to Title 19 or Title 21 of the federal Social Security Act.

- ***Medicare Part C services*** are services performed according to a contract with a managed health care provider for Medicare patients pursuant to Title 18 of the federal Social Security Act.
- ***Scope of practice*** means the health care activities authorized to be conducted by, or at the direction of, the health care practitioner under a license granted to the health care practitioner by the appropriate body specified in Section 7-9-93(B)(3).
- ***Fee-for-service payment*** is a payment made by a provider under an indemnity insurance plan for each service rendered after the services have been received by the patient. Under a fee-for-service arrangement, a plan or insurer does not establish contracted or per capita rates of payments with providers before the insured submits a claim.

## **Other Medical-Related Gross Receipts Tax Deductions, Exemptions and Credits**

**The following are additional medical-related deductions, exemptions and credits in the Gross Receipts and Compensating Tax Act**

### **Practitioners**

- **Section 7-9-48 allows a deduction for receipts from health care services sold to a hospital or other person for resale with respect to which the practitioner has accepted a Type 5 nontaxable transaction certificate executed by the buyer**
- **Section 7-9-96.2 allows a licensed medical doctor or licensed osteopathic physician to claim a credit against gross receipts taxes due in the following amounts:**
  - **33% of the value of unpaid qualified health care services from July 1, 2007 through June 30, 2008**
  - **67% of the value of unpaid qualified health care services from July 1, 2008 through June 30, 2009, and**
  - **100% of the value of unpaid qualified health care services on and after July 1, 2009**

### **Medical Supplies, Prescription Drugs and Equipment**

- **Section 7-9-73 allows a deduction for receipts from sales of prosthetic devices to health care practitioners for resale to patients**
- **Section 7-9-73.2 allows a deduction for receipts from sales of prescription drugs, oxygen and oxygen services provided by licensed Medicare durable medical equipment providers**
- **Section 7-9-111 allows a deduction for receipts from sales of vision aids or hearing aids and services required to fit or dispense those aids**

## **Hospitals**

- **Section 7-9-29 exempts receipts of hospitals which the IRS has classified as 501(c)(3) organizations**
- **Section 7-9-13 exempts receipts of a federal or New Mexico government owned hospital**
- **Section 7-9-73.1 allows a deduction of fifty percent of the receipts of hospitals licensed by the Department of Health**
  - **This deduction is applied only to the taxable gross receipts remaining after all other appropriate deductions have been taken**
- **Section 7-9-96.1 allows a hospital licensed by the Department of Health to claim a credit against gross receipts tax in the following amounts:**
  - **For a hospital located in a municipality:**
    - **0.755% on or after July 1, 2007 but before July 1, 2008**
    - **1.51% on or after July 1, 2008 but before July 1, 2009**
    - **2.265% on or after July 1, 2009 but before July 1, 2010**
    - **3.02% on or after July 1, 2010 but before July 1, 2011, and**
    - **3.775% on or after July 1, 2011**
  - **For a hospital located in the unincorporated area of a county:**
    - **1% on or after July 1, 2007 but before July 1, 2008**
    - **2% on or after July 1, 2008, but before July 1, 2009**
    - **3% on or after July 1, 2009 but before July 1, 2010**
    - **4% on or after July 1, 2010 but before July 1, 2011, and**
    - **5% on or after July 1, 2011**
- **In FY08, the credit in Section 7-9-96.1 reduced General Fund revenues by \$1.3 million**