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FISCAL IMPACT REPORT

ORIGINAL DATE 02/20/13
 LAST UPDATED 03/04/13

SPONSOR HBIC HB 527/HBICS/aHTRC

SHORT TITLE Liquor Tax to Local DWI Grant Fund SB _____

ANALYST Smith

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15	FY16	FY17		
\$0.0	\$0.0	\$4,240.0	\$8,660.0	\$13,220.0	Recurring	Local DWI Grant Fund
\$0.0	\$0.0	(\$4,240.0)	(\$8,660.0)	(\$13,220.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment pushes out by one year the new distributions to the Local DWI Grant Fund, as follows:

- For fiscal year 2015, the distribution will increase to fifty and fifty hundredths percent;
- For fiscal year 2016, the distribution will be fifty-nine and fifty hundredths percent;
- For fiscal year 2017 and subsequent fiscal years, the distribution will be sixty-eight and fifty hundredths percent.

The HTRC amendment also adds an effective date of July 1, 2014.

Synopsis of Original Bill

The House Business and Industry Committee substitute for House Bill 527 amends Section 7-1-6.40 NMSA 1978, to increase the distribution of liquor excise tax to the local DWI grant fund from forty-one and fifty hundredths to seventy-five percent.

Effective Date: Not specified; 90 days following adjournment (June 14, 2013).

FISCAL IMPLICATIONS

The TRD notes that the February 2013 General Fund Consensus Revenue Estimate for liquor was used to estimate the fiscal impact. The penalties and interest are very small pieces of the total liquor revenue, about 0.064 percent according to the last four fiscal year historical data. If penalties and interest are excluded from the net receipts for the distribution to the local DWI grant fund, the local DWI grant fund was estimated to increase by approximately \$16 million a year. The State would lose the general fund revenue by the same amount every year.

The Local DWI Grant Fund is used to distribute net receipts from the liquor excise tax to municipalities located in Class A counties with populations between 30 to 60 thousand for alcohol treatment and rehabilitation services for street inebriates.

This bill may be counter to the Legislative Finance Committee (LFC) tax policy principle of adequacy, efficiency and equity. Due to the increasing cost of tax expenditures revenues may be insufficient to cover growing recurring appropriations.

The Local Government Division of the DFA administers the Local DWI (LDWI) grant fund. They believe that the gradual increase of revenues to the LDWI fund over the next three fiscal years will allow the county DWI programs to build the capacity needed to expand services with reasonable growth. Each county has a plan in place to best utilize the increase in funding to combat the issues of DWI, alcoholism, and alcohol abuse. Many of the county programs have indicated that an increase in funds would allow them the opportunity to provide a continuum of care for substance abuse offenders.

TECHNICAL ISSUES

This bill does not contain a sunset date. The LFC recommends adding a sunset date.

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| <p>Does the bill meet the Legislative Finance Committee tax policy principles?</p> <ol style="list-style-type: none">1. Adequacy: Revenue should be adequate to fund needed government services.2. Efficiency: Tax base should be as broad as possible and avoid excess reliance on one tax.3. Equity: Different taxpayers should be treated fairly.4. Simplicity: Collection should be simple and easily understood.5. Accountability: Preferences should be easy to monitor and evaluate |
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