

LFC Requester: _____

**AGENCY BILL ANALYSIS
2025 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov
(Analysis must be uploaded as a PDF)**

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:
Original **Amendment** _____
Correction _____ **Substitute** _____

Date Prepared 2/5/2025
Bill Number: SENATE BILL 89

Sponsor: Sen. Duhigg
Short Title: REMOVE CANNABIS TAX
INCREMENTAL INCREASES

Agency Name and Code DFA-341
Number: _____
Person Writing Noel Martinez
Phone: _____ **Email** Noela.Martinez@dfa.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue				Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28	FY29		
(\$2,003.15)	(\$4,278.38)	(\$6,557.54)	(\$6,007.84)	R	Local Governments

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

Purpose: To amend the cannabis excise tax in New Mexico

Key Changes:

- Removes planned incremental increases in the cannabis excise tax rate
 - Sets a fixed tax rate of 12% on cannabis products sold by retailers
 - Exempts medical cannabis products sold to qualified patients or caregivers with proper identification from the tax
- **Effective Date:** July 1, 2025

FISCAL IMPLICATIONS

Method

- The fiscal impacts were estimated using the Department of Finance and Administration's (DFA's) internal projections for cannabis sales from fiscal year 2026 (FY26) to fiscal year 2029 (FY29)
- The Excise tax rate is held fixed from FY26 through FY29
- Tax rates for the state (8%) municipality (33.3%) and county (33.3%) remain unchanged under Senate Bill 89 (SB89).
- Anticipating the impact of the tax rate change on sales, this analysis used the historical growth rate in adult-use cannabis sales from FY24 to grow DFA's cannabis sales from FY26 through FY29
 - The excise rate does not apply to medical use cannabis sales which is accounted for in this analysis.
- Localities, including municipalities and counties, are projected to see a decline in excise tax revenue ranging from \$2 million to \$6 million during the forecasting period.
- State tax revenue is projected to grow at a more moderate rate, as adult-use sales historically increased by 0.9% for FY24.

SIGNIFICANT ISSUES

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

- Enacting the legislation could decrease the tax revenue used by municipalities and counties for other projects/programs/services.

AMENDMENTS