

LFC Requestor: MONTANO, Noah

2025 LEGISLATIVE SESSION
AGENCY BILL ANALYSIS

Section I: General

Chamber: Senate
Number: 378

Category: Bill
Type: Introduced

Date (of THIS analysis): 02/14/2025
Sponsor(s): Sen. William E. Sharer, and Sen. M. Debbie O'Malley
Short Title: LIQUOR TAX RATES

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Section II: Fiscal Impact

APPROPRIATION (dollars in thousands)

Appropriation Contained		Recurring or Nonrecurring	Fund Affected
FY 25	FY 26		
\$0	\$0	NA	NA

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY 25	FY 26	FY 27		
\$0	\$0	\$0	N/A	General Fund

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY 25	FY 26	FY 27	3 Year Total Cost	Recurring or Non-recurring	Fund Affected
Total	\$0	\$0	\$0	\$0	NA	NA

Section III: Relationship to other legislation

Duplicates: None

Conflicts with: None

Companion to: None

Relates to: HB 417

Duplicates/Relates to an Appropriation in the General Appropriation Act: No

Section IV: Narrative

1. BILL SUMMARY

a. Synopsis

Senate Bill 378 (SB378) seeks to increase the excise tax on spiritous liquors to \$1.92, the excise tax on beer to \$0.49, the excise tax on wine to \$0.54, and the excise tax on fortified wine to \$1.80. It also increases the excise tax on cider to \$0.49.

Is this an amendment or substitution? Yes No

Is there an emergency clause? Yes No

b) Significant Issues

New Mexico Impact

Since 1997, New Mexico (NM) has had the highest rate of alcohol-related death in the (<https://www.nmhealth.org/data/view/substance/2682/>). In 2023, the age-adjusted rate of alcohol-related death in NM was 84.5 deaths per 100,000 population. Two times more New Mexicans died from alcohol in 2023 than from drug overdose from any substance.

While alcohol-related death is often associated with alcohol-impaired driving, the alcohol-related death rate in NM is largely driven by chronic diseases. In 2023, more than half of the deaths from alcohol-related causes were due to chronic diseases.

Excessive alcohol use has a high societal cost. A 2010 CDC analysis calculated that excessive drinking costs NM over \$2 billion in 2010 (\$3 billion in 2023 dollars), and NM had the highest societal cost per drink in the nation, at \$2.77 per drink (\$3.92 per drink after adjusting for inflation) (<https://www.cdc.gov/alcohol/features/excessive-drinking.html>). Societal cost is calculated based on estimated losses in workplace productivity, alcohol-related healthcare expenses, criminal justice/law enforcement costs, and alcohol-related motor vehicle crashes. Most of the costs associated with excessive alcohol consumption are borne by those who do not drink alcohol.

Raising the price of alcohol as SB378 proposes has been established as an evidence-based strategy for reducing alcohol-related harm generally and there is growing evidence that increasing the price will lead to less excessive alcohol consumption. It is important to note that alcohol consumption patterns differ from state to state, with NM's morbidity and mortality being driven by an older demographic of chronic, heavy drinkers.

In 2022, 16.7% of New Mexicans drank excessively. This is defined as binge drinking (4 or more drinks on an occasion for women, or 5 or more drinks on an occasion for men) or heavy drinking (eight or more drinks on an occasion for women or 15 or more drinks on an occasion for

men.) (Behavioral Risk Factor Surveillance System, 2022). While New Mexico does not have the highest rate of excessive alcohol consumption in the nation, there are a significant portion of the drinking population who are drinking twice the above-stated definitions of binge and heavy drinking. In 2022, 15.3% of New Mexicans binge drank in the last 30 days. Among the 48.4% of New Mexicans who had drunk alcohol the past month, 9.3% of drank more than eight standard drinks on one occasion.

Tax Rate Adjustment Implications

An economic analysis by Saffer et al. (2022) found that increasing the price of alcohol would decrease consumption among heavy drinkers, and affirms that increasing the price would also increase the price among those who buy the cheapest alcohol, but “the harm done to the low income group by tax hikes may be more than offset by the benefits of reductions in heavy drinking” (https://www.nber.org/system/files/working_papers/w30097/w30097.pdf).

Similarly, a systematic review by Elder et al. (2010) found that based on the studies included in the review, there is strong evidence that increasing alcohol excise taxes decreases excessive alcohol consumption (<https://www.ajpmonline.org/action/showPdf?pii=S0749-3797%2809%2900771-5>).

A systematic review by Guidon et al. (2022) examined 30 articles on the impact of alcohol taxes and prices on consumption, assessing for quality. Among those 30 articles, there were 6 (20% of the studies included) that had evidence of alcohol industry involvement, and that those industry-funded articles were more likely to report that increasing taxes on alcohol would not change consumption behavior, noting “There is ample evidence of an association between financial conflicts of interest, including commercial research sponsorship, with publication of research favourable [sic] to the sponsor.” Among the studies without apparent industry influence, the reviews concluded that higher taxes, and thus higher alcohol prices were associated with less heavy episodic drinking (binge drinking) and heavy drinking. Additionally, the non-industry influenced articles “provided no evidence that alcohol price responsiveness differed by socioeconomic status” (<https://pmc.ncbi.nlm.nih.gov/articles/PMC9796894/#abstract1>). Setting aside the question of whether increased cost or taxation of alcohol contributes to less consumption, it is important to recognize the importance of funding prevention, intervention, and treatment as a valuable stand-alone policy.

Maryland and Illinois have enacted legislation to increase the cost of alcohol. Maryland increased the sales tax rate on alcohol saw a reduction in alcohol-positive driving (<https://pmc.ncbi.nlm.nih.gov/articles/PMC5497300/>), a reduction in the number of sexually transmitted infections ([https://www.ajpmonline.org/article/S0749-3797\(15\)00627-3/fulltext](https://www.ajpmonline.org/article/S0749-3797(15)00627-3/fulltext)), and a reduction in alcohol consumption (<https://publichealth.jhu.edu/2016/maryland-2011-alcohol-sales-tax-reduced-alcohol-sales-study-suggests>). After a tax raise in Illinois, there was a statistically significant decrease in fatal motor-vehicle crashes (<https://pmc.ncbi.nlm.nih.gov/articles/PMC4529769/#ref-list1>).

2. PERFORMANCE IMPLICATIONS

- Does this bill impact the current delivery of NMDOH services or operations?

Yes No

If yes, describe how.

- Is this proposal related to the NMDOH Strategic Plan? Yes No

Goal 1: We expand equitable access to services for all New Mexicans

Goal 2: We ensure safety in New Mexico healthcare environments

Goal 3: We improve health status for all New Mexicans

Goal 4: We support each other by promoting an environment of mutual respect, trust, open communication, and needed resources for staff to serve New Mexicans and to grow and reach their professional goals

3. FISCAL IMPLICATIONS

- If there is an appropriation, is it included in the Executive Budget Request?

Yes No N/A

- If there is an appropriation, is it included in the LFC Budget Request?

Yes No N/A

- Does this bill have a fiscal impact on NMDOH? Yes No

4. ADMINISTRATIVE IMPLICATIONS

Will this bill have an administrative impact on NMDOH? Yes No

5. DUPLICATION, CONFLICT, COMPANIONSHIP OR RELATIONSHIP

SB 378 is related to HB417, which would create a new liquor excise tax surtax and provide funding for a new Tribal Alcohol Harms Alleviation Fund, as well as replace the current Local DWI program with a new Local Alcohol Harms Alleviation program.

6. TECHNICAL ISSUES

Are there technical issues with the bill? Yes No

7. Legal/Regulatory ISSUES (OTHER SUBSTANTIVE ISSUES)

- Will administrative rules need to be updated or new rules written? Yes No
- Have there been changes in federal/state/local laws and regulations that make this legislation necessary (or unnecessary)? Yes No
- Does this bill conflict with federal grant requirements or associated regulations?

Yes No

- Are there any legal problems or conflicts with existing laws, regulations, policies, or programs? Yes No

8. Disparities Issues

- American Indian/Alaska Native populations bear the greatest burden of alcohol-related death in NM. From the most recent available data in 2022, the age-adjusted rate of alcohol-related death for American Indians in NM is 283.37 deaths per 100,000 population. This is over three times the rate of alcohol-related death in the state overall for the same year, 93.9 deaths per 100,000 population.
- Alcohol-related deaths are concentrated geographically.
 - In 2023, McKinley County's rate of alcohol-related death was 202.3 deaths per 100,000 population (age-adjusted) (Vital Records & Health Statistics Bureau).

- In 2023, Rio Arriba County’s rate of alcohol-related death 188.9 deaths per 100,000 population (age-adjusted) (Vital Records & Health Statistics Bureau).
- Men have higher rates of alcohol death than women. In 2023 the age-adjusted rate of alcohol-related death in men was 121.3 deaths per 100,000 population, while for women the rate was 48.5 deaths per 100,000 population (Vital Records & Health Statistics Bureau).
- Alcohol-associated harm disproportionately affects other marginalized populations, who are also less likely to have access to alcohol-related services. Among individuals experiencing homelessness, 16% report a substance use disorder, and they are less likely to have access to healthcare services (<https://www.samhsa.gov/blog/addressing-social-determinants-health-among-individuals-experiencing-homelessness>). Binge or heavy drinking among sexual minority females is double that of straight females https://www.samhsa.gov/data/sites/default/files/reports/rpt41899/2022_LGB_Brief_Final_06_07_23.pdf
- According to the Behavioral Risk Factor Surveillance System, those who drink excessively (binge or heavy drinking) are more likely to be in the higher household income levels than the lower household income levels. For example, in 2022, of those who drank excessively (either binge drank or heavy drank) 35.3% were in the highest household bracket (\$75,000+/year), while only 4.5% were in the lowest income bracket (<\$15,000/year). This bill will disproportionately impact those who drink the most, but since those individuals are largely in the highest income bracket, an increase in the cost of alcohol, a non-essential good, is unlikely to impact household budgets. Since a large portion of those who drink alcohol do so excessively (48% of New Mexicans who drink alcohol meet the definition of heavy drinking and 36% of New Mexicans who drink alcohol binge drink), there are very few non-excessive drinkers who will be affected by this increase in excise tax.
- SB378 will increase health equity among the lowest income group, who bear a disproportionate burden of alcohol-related harms despite not drinking as much as the top income earners – termed the “alcohol harms paradox” (<https://pmc.ncbi.nlm.nih.gov/articles/PMC4758164/>).

9. HEALTH IMPACT(S)

- In 2023, more than half of the alcohol-related deaths in the state were due to chronic conditions. In New Mexico, alcohol-associated liver disease was responsible for 17.8 deaths per 100,000 population in 2023. In NM that same year, the rate of death from chronic liver disease was 26.9 deaths per 100,000 population (Vital Records & Health Statistics Bureau).
- Diseases of the digestive and cardiovascular system, including cancer. Alcohol has toxic effects on the digestive and cardiovascular systems and is classified as carcinogenic by international agencies like the WHO and the International Agency for Research on Cancer (https://www.who.int/health-topics/alcohol#tab=tab_3).
- The CDC calculates that on average, excessive drinking shortens the lifespan by about 26 years, due to cancer, diseases of the colorectal and digestive system, and cardiovascular disease (<https://www.cdc.gov/alcohol/features/excessive-alcohol-deaths.html>). An article from the journal *Nature* found that even those who had one alcoholic drink a day could add a year to their lifespan if they quit drinking ([https://www.nature.com/articles/s41598-022-11427-11427-x#:~:text=In%20conclusions%2C%20modest%20drinkers%2C%20no,65%E2%80%93380%25\)%%20of%20drinkers](https://www.nature.com/articles/s41598-022-11427-11427-x#:~:text=In%20conclusions%2C%20modest%20drinkers%2C%20no,65%E2%80%93380%25)%%20of%20drinkers)). This increase in lifespan stems from a reduction in cancers, liver

diseases, cardiovascular diseases, and accidental injury. Meta-analyses have shown that alcohol prevention programs reduce the amount of alcohol consumed, and reduce the odds of reporting alcohol-related harms (<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8392207/>), (<https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2798620#:~:text=Robust%20analyses%20showed%20that%20compared,the%207%2Dyear%20study%20period>).

10. ALTERNATIVES

None

11. WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

If SB378 is not enacted, current liquor tax rates will remain unchanged and anticipated reductions in excessive alcohol use and associated harms will not occur.

12. Amendments

None