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FISCAL IMPACT REPORT

LAST UPDATED _____
ORIGINAL DATE 2/27/2025

SPONSOR Block, J.

BILL
NUMBER House Bill 460

SHORT TITLE Repeal Liquor Taxes

ANALYST Gray

REVENUE* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
Liquor Excise Tax	\$0	(\$24,730.0)	(\$25,010.0)	(\$25,260.0)	(\$25,520.0)	Recurring	General Fund
Liquor Excise Tax	\$0	(\$22,480.0)	(\$22,730.0)	(\$22,950.0)	(\$23,190.0)	Recurring	Local DWI Grant Fund
Liquor Excise Tax	\$0	(\$2,497.0)	(\$2,525.0)	(\$2,550.0)	(\$2,577.0)	Recurring	Drug Courts
Liquor Excise Tax	\$0	(\$249.0)	(\$249.0)	(\$249.0)	(\$249.0)	Recurring	Class A Muni

Parentheses () indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

Conflicts House Bill 417 and Senate Bills 378 and 431

Sources of Information

LFC Files

Agency Analysis Received From

Administrative Office of the Courts (AOC)

Health Care Authority (HCA)

Department of Health (DOH)

Agency Analysis was Solicited but Not Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of House Bill 460

House Bill 460 (HB460) repeals the liquor excise tax and eliminates its distributions. Section 7-1-6.40 NMSA 1978, which would be eliminated by HB460, provides a series of distributions to the liquor excise tax. The impact of that repeal is reflected in the table below.

HB460 Liquor Excise Tax Distribution Changes

Fund	Current FY26 Estimated Distributions		New HB460 FY26 Distributions	
	Rate	Amount (in thousands)	Rate	Amount (in thousands)
Local DWI Grant Fund	45%	\$22,700	repealed	\$0
Municipality – Class A County (Farmington)	N/A	\$249		\$0
Drug Court Fund	5%	\$2,529		\$0
General Fund	49.5%	\$25,041		\$0

The effective date of this bill is July 1, 2025.

FISCAL IMPLICATIONS

This bill will reduce general fund revenue by \$24.7 million in FY26. This analysis used the December 2024 Consensus Revenue Estimating Group liquor excise tax forecast.

Analysis from the Administrative Office of the Courts (AOC) notes that the liquor excise tax provides the primary funding source for the drug court fund, which supports statewide treatment court programs. The Legislature could choose to maintain funding for these programs with general fund revenue, but that is not provided in HB460 or in the House Appropriations and Finance Committee Substitute for House Bill 2. Similarly, HB460 eliminates the funding mechanism for the Local DWI Grant Program, which could receive general fund revenue but that revenue swap is not provided by the bill nor the current version of HB2.

SIGNIFICANT ISSUES

Economic theory typically supports imposing excise taxes on alcohol consumption to better reflect the costs of an individual’s consumption of alcohol to society. A major rationale for alcohol excise taxes is to discourage alcohol consumption and its negative spillover effects (such as accidents, domestic violence, and health effects). Health effects can spill over to others if the costs are paid by third parties, for example, health insurers. Economists often refer to these spillover effects as externalities. Taxes will be a more effective deterrent if they are passed on to consumers and consumers respond by reducing consumption in some meaningful way. In general, the literature has concluded that excise taxes are passed on to consumers and that consumers respond by reducing their consumption.

The costs associated with alcohol consumption have been studied by researchers in a variety of fields, including economics, health, and public safety and crime. Examples of the costs most often featured in studies include the effects of alcohol consumption on motor vehicle crashes, public health, domestic violence, and other crimes. In addition, many researchers have studied these effects among youth, as some of these effects are disproportionately concentrated among younger consumers of alcohol (e.g., involvement in motor vehicle crashes and violent crime).

The liquor excise tax also generates revenue, which can be used to help mitigate the harms of alcohol consumption. Analysis from the Department of Health (DOH) notes that reducing revenues from the liquor excise tax would “negatively impact the infrastructure for addressing alcohol misuse in New Mexico.”

New Mexico has one of the higher liquor excise tax rates in the region. All states impose an excise tax on alcohol products. Under HB460, New Mexico would likely have the lowest liquor tax rate in the country.

State Rankings by State Level Liquor Excise Taxes³

Liquor Category	New Mexico Current Rates	Surrounding States				
		Arizona	Utah	Colorado	Oklahoma	Texas
Beer ¹	14	36	13	46	15	31
Spirits ¹	24	43	6	47	27	46
Wine ²	5	26	*	40	29	44

Note: ¹As of January 1, 2024; ²as of January 1, 2021. ³Comparable state ratings based on dollars/gallon, include local rates, state-controls, differing rates by alcohol content. Utah has state-controlled sales of wine.

Source: Tax Foundation, TRD Analysis

The federal government levies an excise tax on manufacturers and importers of alcoholic beverages (e.g., distilled spirits, wine, and beer) based on the per-unit production of alcohol for sale in the U.S. market. The rate per unit is based on the form that the alcoholic beverage takes and the size of the producer. Accordingly, eliminating the state’s liquor excise tax will only impact one component of the total tax paid on alcoholic beverages.

Eliminating the liquor excise tax would increase the profitability of liquor wholesalers. This benefit may or may not be passed on elsewhere along the supply chain via higher profits for manufacturers and retailers, or lower prices for consumers. The magnitude of these secondary effects on profits and prices will be dependent on market concentration and competitiveness. Excise taxes are generally considered regressive, meaning lower-income individuals pay a higher proportion of their income in taxes. Eliminating the tax would reduce overall regressivity in the tax code, although the effect would be minor for most taxpayers.

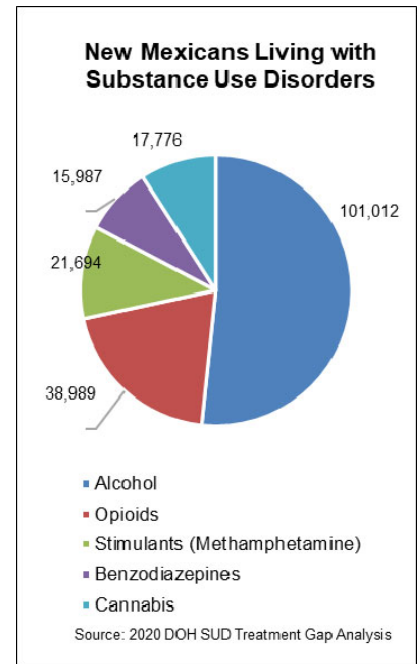
Treatment Courts. Treatment courts are specialized court dockets that serve individuals who have been arrested or convicted of a crime, those at risk of losing custody of their children, and those who are struggling with substance use or behavioral health disorders. AOC analysis notes that, by offering treatment as an alternative to incarceration, these programs “integrate public health and public safety approaches, connecting justice-involved individuals with personalized, evidence-based treatment and recovery services to address the root causes of criminal behavior.” AOC asserts:

Eliminating the liquor excise act would eliminate the primary funding source for the drug court fund which provides vital support for staffing, training, treatment provider funding, ancillary service contracts, and other resources across the state. It would also impact the ability to implement new treatment court programs, negatively impact community safety and health, and potentially increase recidivism.

Alcohol Use Disorder in New Mexico. According to a 2023 LFC progress report, alcohol is New Mexico’s predominant substance-use problem. In 2021, 2,274 New Mexicans died from alcohol-related causes, roughly six people each day. The state has had the highest alcohol-related death rate in the country for over a decade, and the state’s alcohol related death rate grew by 32.4 percent between 2019 and 2021.

The LFC progress report noted the effects of the pandemic exacerbated existing problems. According to the National Institute of Alcohol Abuse and Alcoholism, the traumas of the pandemic, including Covid-19 infection, job losses, housing dislocation, and social isolation, caused alcohol consumption to increase 10 percent nationally and alcohol-related deaths to spike in all states. Nationally, Kaiser Family Foundation finds two-thirds of the public report they or someone in their family has been addicted to drugs or alcohol.

According to a 2023 LFC progress report, McKinley, Cibola, Rio Arriba, San Juan, and Socorro Counties are hotspots of alcohol-related deaths. McKinley, Cibola, Rio Arriba, San Juan, and Socorro counties had the highest alcohol-related death rates in 2021, the most recent year for which the Department of Health (DOH) has reported county-level data (Attachment 1). These five counties all had death rates that exceed 150 per 100 thousand people. Meanwhile, deaths in Bernalillo, McKinley, San Juan, Santa Fe, and Sandoval counties made-up 62 percent of all 2021 alcohol-related deaths in the state in 2021.



A 2020 DOH gap analysis suggests that, of the 100 thousand people who live with an alcohol use disorder, about 70 thousand do not receive treatment. DOH estimated that about 10 percent of those who need treatment and do not receive it will never receive it.

According to the Centers for Disease Control’s Behavioral Risk Factor Surveillance System (BRFSS), 48 percent of New Mexicans, about 700 thousand people, reported drinking at least once in the last 30 days in 2022. BRFSS reports that 15 percent of New Mexicans, over 225 thousand people, reported binge drinking in 2022.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill conflicts with House Bill 417 and Senate Bill 431, which imposes a liquor excise surtax and changes the distribution of the revenue.

This bill conflicts with Senate Bill 378, which increases the liquor excise tax.

This bill conflicts with Senate Bill 199, which makes changes to the Local DWI Grant Program that are irreconcilable with those contemplated by HB460.

Attachments

1. Sample of August 2023 LFC progress report *Addressing Substance Use Disorders* recommendations.
2. Alcohol-Related Deaths by County, 2021

Attachment 1

Sample of August 2023 LFC progress report *Addressing Substance Use Disorders* recommendations.

The 2023 LFC progress report recommended several actions related to alcohol use disorders.

The **Department of Health** should consider reporting to the Legislature about its plans, scope of responsibility, and timeline for the creation of the Office of Alcohol Prevention.

The **Human Services Department** should consider:

- Reporting to the Legislature and public annually about the number of patients receiving substance use treatment, the forms of evidence-based treatment they receive, and expenditures for these programs;
- Moving forward with its proposed plan to create additional billing codes and differentials for evidence-based forms of psychotherapy;
- Studying pilots contained within New Mexico's and other state's 1115 Medicaid waivers that address social determinants of health to determine the most effective models and services;
- Ensuring that the MCO contracts for Turquoise Care require the MCOs to maintain an adequate Behavioral Health network and ensure that access to those providers is readily available;
- Ensuring that the Medicaid incentive programs reward and sanction, as appropriate, the MCOs who perform well in delivery of SUD services;
- Reporting back to the Legislature about the outcomes associated with Medicaid provider rate increases, including impact to the state's number of behavioral health providers and access to patient care;
- Reporting to the Legislature about the plans, scope of responsibility, and timeline for the BHSD coordinator role focused on alcohol use disorders;
- Reporting to the Legislature about the plans, timeline, and outcomes of the statewide substance use treatment plan.

The **medical licensing boards** should consider expanding existing continuing medical education requirements related to opioid use disorders to include treatment of alcohol use disorders for all providers.

Attachment 2

Alcohol-Related Deaths by County, 2021

Decedent's County of Residence	Deaths per 100,000 Population, Age-adjusted	Number of Deaths	Population Estimate (years combined)
McKinley	335.7	226	71,780
Cibola	179.4	51	27,184
Rio Arriba	176.6	75	40,179
San Juan	169.3	199	121,237
Socorro	156.2	25	16,346
Mora	144.3	6	4,196
Taos	118.6	41	34,623
Sierra	115.1	18	11,523
Colfax	108.8	14	12,369
San Miguel	106.4	32	27,150
Quay	102.7	9	8,709
Luna	101.9	27	25,429
Union	98.4	4	4,036
Valencia	98	78	77,190
Bernalillo	96.8	709	676,626
Otero	94	68	68,549
Torrance	91.8	16	15,041
Guadalupe	91.2	5	4,439
Chaves	87.8	60	64,454
Sandoval	87.3	137	151,369
Lincoln	84.5	20	20,557
Grant	81.8	29	27,889
Santa Fe	81.5	143	155,201
Eddy	74.8	48	61,939
Curry	66.4	31	49,230
Lea	63.8	43	72,637
Dona Ana	57.2	126	221,508
Roosevelt	52.7	10	19,232
Los Alamos	35.2	9	19,391
NM Resident, County Unknown	.	6	.
Catron	**	**	3,731
De Baca	**	**	1,685
Harding	**	**	659
Hidalgo	**	**	4,102
Overall	102.7	2,274	2,120,188

Source: DOH IBIS