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FISCAL IMPACT REPORT

LAST UPDATED _____
ORIGINAL DATE 2/21/2025

SPONSOR Sharer/O'Malley

BILL
NUMBER Senate Bill 378

SHORT TITLE Liquor Tax Rates

ANALYST Gray

REVENUE* (dollars in thousands)

| Type | FY25 | FY26 | FY27 | FY28 | FY29 | Recurring or Nonrecurring | Fund Affected |
|-------------------|------|-----------|-----------|-----------|-----------|---------------------------|----------------------|
| Liquor Excise Tax | \$0 | \$3,840.0 | \$3,680.0 | \$3,550.0 | \$3,420.0 | Recurring | Local DWI Grant Fund |
| Liquor Excise Tax | \$0 | \$430.0 | \$410.0 | \$390.0 | \$380.0 | Recurring | Drug Court Fund |
| Liquor Excise Tax | \$0 | \$4,560.0 | \$4,370.0 | \$4,220.0 | \$4,070.0 | Recurring | General Fund |

Parentheses () indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bills 417 and 460 and Senate Bills 431 and 199

Sources of Information

LFC Files

Agency Analysis Received From
Taxation and Revenue Department (TRD)
Department of Health (DOH)

SUMMARY

Synopsis of Senate Bill 378

Senate Bill 378 (SB378) raises the liquor excise tax by 20 percent pursuant to the following:

| Type | Current | New | Percent Increase |
|----------------|-------------------|-------------------|------------------|
| Beer | \$0.41 per gallon | \$0.49 per gallon | 20 percent |
| Wine | \$0.45 per liter | \$0.54 per liter | 20 percent |
| Spirits | \$1.6 per liter | \$1.92 per liter | 20 percent |
| Cider | \$0.41 per gallon | \$0.49 per gallon | 20 percent |
| Fortified wine | \$1.5 per liter | \$1.80 per liter | 20 percent |
| Other | Various | Various | No change |

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

FISCAL IMPLICATIONS

This bill is estimated to increase general fund revenue by \$4.6 million in FY26. The estimate was provided by the Taxation and Revenue Department (TRD). The agency used the liquor excise tax forecast from the Consensus Revenue Estimating Group in December 2024 to estimate the revenue impact of the proposed tax increases. The agency writes:

TRD applied different demand elasticities to the products. Based on a meta-analysis study of the impact of price and tax levels on drinking and income elasticities by Wagenaar, Salois and Komro¹, TRD assumes a price elasticity of -0.11 for beer, -0.19 for wine and for -0.20 for distilled spirits. TRD also assumes that wholesalers pass the tax on to retailers and consumers at a rate of 1.5 times the tax, based on the Wagenaar, Salois and Komro study. After the initial consumption change from the rate increases, TRD assumes an average annual growth by liquor product from the last 10-years, removing the growth rates from FY21 and FY22 due to changes in consumption attributable to the COVID-19 pandemic.

TRD analysis notes that because the tax increases per product are modest, the drop in liquor consumption resulting from higher prices could be lower than what is modeled, offering a positive risk to the estimate. Alternatively, the agency notes, if consumption shifts to neighboring states or online, “then the assumed drop in liquor purchases in state could be higher still or the growth lower in the out years.”

Increasing the price of a good generally decreases the demand for that good. The assumed price elasticities of demand were taken from Wagenaar et. al. 2009, a systemic review of studies examining relationships between measures of beverage alcohol tax or price levels and alcohol sales or self-reported drinking. A total of 112 studies of alcohol tax or price effects were found, containing 1,003 estimates of the tax/price–consumption relationship. The upper confidence interval was used for revenue estimates.

Researchers in that meta-analysis concluded:

The meta-analyses reported here demonstrate the statistically overwhelming evidence of effects of alcohol prices on drinking. Price affects drinking of all types of beverages, and across the population of drinkers from light drinkers to heavy drinkers. We know of no other preventive intervention to reduce drinking that has the numbers of studies and consistency of effects seen in the literature on alcohol taxes and prices

This analysis only considers price when estimating the elasticity of alcohol demand. Other factors like income, whether a person is a heavy or moderate drinker, the price of alcohol consumed, and the availability of lower priced alcohol in neighboring states or tribal lands likely have significant impacts on total statewide alcohol consumption and public health.

¹ Wagenaar Alexander C., Salois, Matthew J., Komro, Kelli A. (2009). Effects of beverage alcohol price and tax levels on drinking: a meta-analysis of 1003 estimates from 112 studies. *Journal, Addiction*, 104, 179-190; doi:10.1111/j.1360-0443.2008.02438.x

Researchers of the meta-analysis used in this report note that all studies of tax and price effects “also reflect particular meanings and uses of alcoholic beverages across diverse social and cultural environments, and tax and price policies probably interact with a whole web of individual, community and societal influences on drinking behavior.” Policymakers may wish to consider these interactions.

While the effects of a price increase will not be the same for all New Mexicans, research has repeatedly agreed with the assumptions presented in this analysis. For example, the *Guide to Community Preventive Services* [concludes](#) there is strong evidence that raising alcohol excise taxes is an effective strategy for reducing excessive alcohol consumption and related harms.

SIGNIFICANT ISSUES

State Tax Rankings

TRD analysis notes that New Mexico has one of the higher liquor excise tax rates in the region and that the SB378 proposal would increase New Mexico’s ranking.

State Rankings by State Level Liquor Excise Taxes³

| Liquor Category | New Mexico Proposed Rates | New Mexico Current Rates | Surrounding States | | | | |
|----------------------|---------------------------|--------------------------|--------------------|------|----------|----------|-------|
| | | | Arizona | Utah | Colorado | Oklahoma | Texas |
| Beer ¹ | 9 | 14 | 36 | 13 | 46 | 15 | 31 |
| Spirits ¹ | 22 | 24 | 43 | 6 | 47 | 27 | 46 |
| Wine ² | 4 | 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.

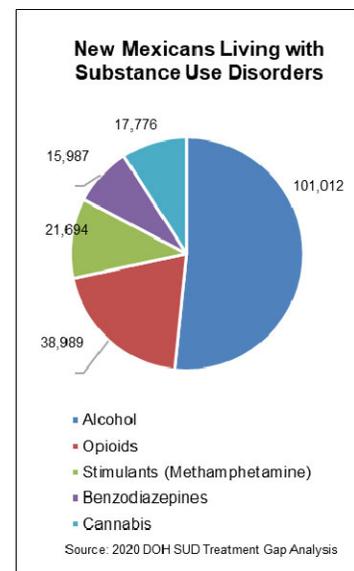
Source: Tax Foundation, TRD Analysis

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 (Appendix 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 1 million people, reported drinking at least once in the last 30 days in 2022. BRFSS reports that 15 percent of New Mexicans, over 300 thousand people, reporting binge drinking in 2022.

Despite the growing number of people living with an alcohol use disorder, the state recently loosened some market-based policy interventions that limit access to alcohol. In 2019, legislation (Senate Bill 413) amended the definitions of microbrewers and winegrowers, extending the definitions of producers and quantities that fit into the small producer tax rate categories. In 2021, legislation (House Bill 255) made significant changes to New Mexico’s liquor laws. The statute shifted the start time for Sunday alcohol sales from 11 a.m. to 7 a.m., permitted the home delivery of alcohol, and created a new category of restaurant liquor license that reduced the cost of providing spirits, not just beer and wine. However, the bill also restricted the sale of liquor other than beer for some licenses that sell gasoline, prohibited the sale of small alcohol containers, and required DOH to study the effect of home alcohol delivery.

Prevention Efforts

The 2023 LFC progress report noted that, while the state has invested significantly in treatment, New Mexico has not dedicated the same resources toward prevention. An increase to liquor excise taxes will likely increase the price of alcohol and decrease consumption, but it is just one of a constellation of policies that could be considered. As the federal Substance Abuse and Mental Health Services Administration (SAMHSA) notes other prevention strategies involve limiting alcohol’s physical availability, social availability, and psychological availability. Further, SAMHSA reports that no single policy should be considered in isolation to reduce the influence of alcohol on communities because such policies are most effective when they are coordinated statewide, complement existing policies, and leverage different policy frameworks.²

Social Determinants of Health. Social determinants of health are upstream conditions, such as housing, food, education, employment, and transportation, that affect quality of life and population health outcomes. As reported by the policy think-tank the Center for Budget and Policy Priorities, people of color are more likely to experience barriers to treatment and have worse outcomes due to differentials in quality of treatment.

New Mexico has very high rates of adverse childhood experiences and other risk factors and must address social determinants of health. According to United Health Foundation’s *America’s*

² [Implementing Community-Level Policies to Prevent Alcohol Misuse.](#)

Health Rankings, New Mexico’s children and youth experience the highest rates in the country of adverse childhood experiences, potentially traumatic events such as experiencing abuse and neglect, growing up in a household with substance use or behavioral health problems, and food or housing insecurity. According to DOH, 67 percent of adults have at least one adverse childhood experience, and nearly one in four adults have four or more adverse childhood experiences. The National Institutes of Health suggests interventions in early childhood can help prevent future substance use disorders.

Reporting and Data Collection. According to the 2023 LFC progress report, the Legislature lacks timely information about the public-health impacts of substance use disorders, including alcohol use disorders. The state is measuring and tracking alcohol-related and overdose death data. However, changes to these outcomes and reporting about these indicators lag considerably behind policy efforts. Moving forward, DOH could help identify and report about timely leading indicators to measure state progress to address substance use disorders.

As noted in the progress report, providing the Legislature with recurring and consistent information about how many New Mexicans need and are receiving alcohol use disorder treatment, the types of services they are receiving, and the spending on these services could allow the state to track progress toward meeting treatment gaps and ensuring public investments are made in evidence-based approaches. These approaches could help ensure the substantial new resources available toward treatment and prevention are best utilized.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill relates to Senate Bill 199 (SB199), which makes changes to the Local DWI Grant Program. The bill also relates to House Bill 417 and Senate Bill 431, which imposes a liquor excise surtax and changes the distribution of the revenue.

BG/hj/Sl2