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## FISCAL IMPACT REPORT

**ORIGINAL DATE** 1/30/2020

**SPONSOR** Ortiz y Pino **LAST UPDATED** \_\_\_\_\_ **HB** \_\_\_\_\_

**SHORT TITLE** Local Liquor Excise Tax Changes **SB** 85

**ANALYST** Torres

### REVENUE (dollars in thousands)

Estimated Revenue				Recurring or Nonrecurring	Fund Affected
FY20	FY21	FY22	FY23		
\$0.0	\$42,000.0 (max)	\$42,000.0 (max)	\$42,000.0 (max)	Recurring	Counties

(Parenthesis ( ) Indicate Revenue Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY20	FY21	FY22	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	\$40.0	NFI	NFI	\$40.0	Nonrecurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates, Relates to, Conflicts with, Companion to

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Attorney General (NMAG)  
Taxation and Revenue Department (TRD)  
Department of Health (DOH)

#### No Response Received

New Mexico Association of Counties

### SUMMARY

#### Synopsis of Bill

Senate Bill 85 (SB85) would authorize all counties to impose a local liquor excise tax through a majority of voter approval, extends the amount of time an imposition of the tax is in effect from three years to four years, allows subsequent impositions of the tax, changes how the proceeds

from the tax may be used to exclude educational programs, and provides for the continuation of current ordinances imposing the tax prior to the effective date of this act.

The effective date of this bill is July 1, 2020.

## **FISCAL IMPLICATIONS**

Currently, only McKinley County has enacted the local liquor excise tax, and generates approximately \$1.3 million per year. Because it is unknown which counties will enact the modified tax, the exact revenue impact is indeterminate. The fiscal impacts as reported in the tables above from TRD assume the maximum 6 percent tax is implemented in all counties, assumes a growth rate consistent with overall liquor tax collections, and uses currently enacted local tax revenue to extrapolate effects to the rest of the state, using population.

TRD also reports that the implementation will impact the Information Technology Division at the department and will have an one-time operating impact of \$40 thousand, which is not provided for in the legislation.

## **SIGNIFICANT ISSUES**

The following analysis of SB85 is reported from the Department of Health:

New Mexico has had the highest alcohol-related death rate in the United States for the past two decades. The NM alcohol-related death rate of 70.3 per 100,000 people in 2018 was more than twice the US rate of 35.0 in 2017. Alcohol-related death is an issue of public health importance throughout New Mexico. While the rates vary by county, 31 of New Mexico's 33 counties have alcohol-related death rates higher than the US rate. Further, while rates vary by demographic characteristics, nearly all of NM's demographic groups have alcohol-related death rates higher than the US rate.

Excessive alcohol consumption is related to increased risk of alcohol-related harms. One of the more effective ways to reduce excessive alcohol consumption is to increase the alcohol excise tax, and therefore the purchase price of alcoholic beverages. The Community Guide of the Community Preventive Services Task Force recommends increasing alcohol excise taxes based on strong evidence (<https://www.thecommunityguide.org/findings/alcohol-excessive-consumption-increasing-alcohol-taxes>).

If SB85 is enacted, the price of alcohol will likely increase. In a systematic review of 73 qualified studies, researchers found that higher alcohol prices were consistently related to fewer motor vehicle crashes and fatalities, less alcohol-impaired driving, less mortality from liver cirrhosis, and less violence.

<https://www.thecommunityguide.org/sites/default/files/publications/Alcohol-AJPM-evrev-taxes.pdf>). For example, in one study included in the review, researchers assessed policy changes in the state of Alaska and found that increases in alcohol price resulted in immediate and sustained decreases in alcohol-related disease mortality. If SB85 is enacted, it is likely that New Mexico will experience decreases in alcohol-related mortality.

The cost of excessive alcohol in New Mexico was estimated to be \$2.2 billion in 2010

([http://www.ajpmonline.org/article/S0749-3797\(15\)00354-2/fulltext](http://www.ajpmonline.org/article/S0749-3797(15)00354-2/fulltext)) These costs included law enforcement, hospitalizations, treatment, etc. and it is estimated that 40.9 percent of these costs in New Mexico are paid for by government. Nearly four people die of alcohol-related causes every day in New Mexico (New Mexico Department of Health, Vital Records, 2018 Death Data & CDC ARDI. [https://nccd.cdc.gov/DPH\\_ARDI/Default/Default.aspx](https://nccd.cdc.gov/DPH_ARDI/Default/Default.aspx))

**Does the bill meet the Legislative Finance Committee tax policy principles?**

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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