

N/A	N/A	N/A	N/A	N/A

(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	N/A	N/A	N/A	N/A	N/A	N/A

(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

Senate Bill 20 (SB20) increases the rate of the cigarette tax and proportionally adjusting the discounts on cigarette tax stamps; increasing the rate of the tobacco products tax; including nicotine, regardless of source, in the definition of "Tobacco Product" in the Tobacco Product Act; distributing the revenue from the increases in the taxes to a new Nicotine Use Prevention and Control Fund.

SB20 makes an appropriation of five hundred thousand dollars (\$500,000) from the General Fund to the New Mexico Regulation and Licensing Department (NMRLD) to expand the department's licensure and enforcement duties in regard to nicotine sales and use.

1) SB20 is recommending the New Mexico Department of Health (NMDOH) administer funds in collaboration with the New Mexico Public Education Department (NMPED) and New Mexico Higher Education Department (NMHED) to develop programs, educational materials, social and traditional media advertising on nicotine use prevention and control for persons five (5) to twenty (20) years of age.

2) SB20 distribution of cigarette tax change shall be distributed in an equal amount of the following:

a) five- and one-half percent (5.5%) of net receipts, exclusive of penalties and interest, attributable to the cigarette tax and shall be made on behalf of and for the benefit of University of New Mexico Health Science Center (UNM HSC) for comprehensive cancer center until payment of all principal interest and other expenses or obligations related to the bonds pursuant to 6.21.6.15 NMSA authorized and have been fully discharged to the credit enhancement account.

b) two and seven-tenths percent (2.7%) of the net receipts, exclusive of penalties and interest, attributable to the cigarette tax shall be made to the New Mexico Finance Authority (NMFA) for land acquisition and the planning, designing, construction and equipping of department of health facilities or improvements to such facilities.

c) twenty-eight and one-half (28.5%) percent of the net receipts attributable to the cigarette tax shall be distributed to the nicotine use prevention and control fund.

d) for the privilege of selling, giving or consuming cigarettes in New Mexico, there is levied an excise tax at a rate of fifteen cents (\$.15) for each cigarette sold, given or consumed in this state.

3) Tax stamps shall be sold at their face value with the following discounts.

a) thirty-one hundredths' percent (0.31%) less than the face value of the first thirty thousand dollars (\$30,000) of stamps purchased in one calendar month.

b) twenty-four hundredths' percent (0.24%) less than the face value of the second thirty thousand dollars (\$30,000) of stamps purchased in one calendar month.

c) fifteen hundredths' percent (0.15%) less than the face value of stamps purchased in excess of sixty thousand dollars (\$60,000) in one calendar month.

4) SB20 definition change is as follows:

a) "e-cigarette" means a device that can be used to deliver aerosolized or vaporized nicotine to the person inhaling from the device and includes any component, part or accessory of such a device that is used during the operation of the device but does not include a battery or battery charger.

b) "e-liquid" means liquid or other substance intended for use in an e-cigarette.

c) . "tobacco product": (1) means: a product, other than cigarettes, made from or containing tobacco or nicotine, whether natural or synthetic, that is intended for human consumption or is likely to be consumed, whether smoked, heated, chewed, absorbed, dissolved or inhaled; (b) e-liquid;(c) e-cigarettes; and (d) closed system cartridges; and (2) does not mean a product regulated as a drug or device by the United States Food and Drug Administration (USFDA) pursuant to the Federal Food, Drug, and Cosmetic Act.

d) "wholesale price" means the amount paid, net of any discounts taken and allowed, for tobacco products or, in the case of tobacco products received on consignment, the value of the tobacco

products received or, in the case of tobacco products manufactured and sold in New Mexico, the proceeds from the sale by the manufacturer of the tobacco products.

5) SB20 proposed date payment of tax due change is as follows:

a) for the manufacture or acquisition of tobacco products in New Mexico to be distributed in the ordinary course of business and for the consumption of tobacco products in New Mexico, there is imposed an excise tax at the rate of sixty-seven and one-half percent (67.5%) of the wholesale price of the tobacco products; provided that for the following tobacco products, the rate shall be: for cigars, thirty-seven and one-half percent (37.5%), not to exceed one dollar fifty cents (\$1.50) per cigar; and for little cigars, the rate equal to the rate imposed on cigarettes pursuant to Section 7-12-3 NMSA 1978.

FISCAL IMPLICATIONS

SB20 is proposing the New Mexico Department of Health (NMDOH) as the administrator of funds and any unencumbered balance at the end of FY26 reverts to the General Fund. Since oversight will also be required by NMDOH in subsequent years, we assume that this appropriation will be recurring. SB20 does not mention the Tobacco Settlement Permanent Fund, will that fund be unaffected by this bill. The NMHED does not have the capacity to develop programs, educational materials, and social and traditional media advertising on nicotine use prevention and control for persons five (5) to twenty (20) years of age. NMHED would need additional FTE and have to partner with a higher education institution (HEI).

SIGNIFICANT ISSUES

N/A

PERFORMANCE IMPLICATIONS

There are no specific performance measures listed in SB20. Performance measures should be developed to evaluate the effectiveness of and educational materials and social and media advertising that results from the program.

ADMINISTRATIVE IMPLICATIONS

Any coordination and allocation of funds for the implementation of SB20 by NMHED would be completed by existing staff and resources.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

N/A

TECHNICAL ISSUES

N/A

OTHER SUBSTANTIVE ISSUES

N/A

ALTERNATIVES

N/A

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If SB20 did not pass, the excise tax rate on tobacco products would remain unchanged.

AMENDMENTS

N/A