

LFC Requester:	Ismael Torres
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**AGENCY BILL ANALYSIS
2025 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:

Analysis.nmlegis.gov

{Analysis must be uploaded as a PDF}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:
Original **Amendment**
Correction **Substitute**

Date 1/28/2025
Bill No: SB 89

Sponsor: Senator Katy Duhigg
Short Title: Removing Incremental Increases to the Cannabis Excise Tax

Agency Name and Code Number: 420-Regulation and Licensing Department
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
N/A	N/A	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
N/A	(Indeterminate)	(Indeterminate)	Recurring	General Fund

(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: N/A

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: Senate Bill 89 (SB89) would amend §72-4-2 NMSA 1978 of the “Cannabis Tax Act.” The proposed language removes the incremental increases in cannabis excise taxes on adult use sales that are currently set forth as follows:

- (1) prior to July 1, 2025 - twelve percent (12%);
- (2) beginning July 1, 2025 and prior to July 1, 2026 - thirteen percent (13%);
- (3) beginning July 1, 2026 and prior to July 1, 2027 - fourteen percent (14%);
- (4) beginning July 1, 2027 and prior to July 1, 2028 - fifteen percent (15%);
- (5) beginning July 1, 2028 and prior to July 1, 2029 - sixteen percent (16%);
- (6) beginning July 1, 2029 and prior July 1, 2030 - seventeen percent (17%);
- (7) and beginning July 1, 2030 - eighteen percent (18%).

Instead, SB89 proposes a flat rate of twelve percent (12%) in perpetuity on all non-medical cannabis product sales. [Retail sales of medical cannabis sales are exempt from the Cannabis Excise Tax per current law.]

FISCAL IMPLICATIONS

One third (1/3) of all tax monies collected pursuant to the Cannabis Excise Tax are allocated to the State’s General Fund. As compared to the tax revenues that may be anticipated to be collected under current law with the annual increases that would take effect in each of the next five (5) years, SB89 would allow for only a significantly reduced amount of tax revenue. Such reductions would result in less money going into the General Fund each year.

Rough Estimate on Reduction in Tax Revenues: Based on adult use cannabis sales data from December 2024 (\$37,273,303.58 in adult use cannabis sales), using the 1% increase in excise tax the potential state revenue loss from implementation of SB89 (as compared to if the current law remained in effect) would equate to \$372,733.04 per month. Using that calculation and extrapolating that data for a full year would total a \$4,472,796.48 loss.

SIGNIFICANT ISSUES

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The existing incremental excise tax rate for the Cannabis Excise Tax will increase incrementally over the next six (6) years, leveling out at 18%. The tax revenues collected from the Cannabis Excise Tax will be evenly split between the state, municipalities, and counties.

AMENDMENTS