

LFC Requester:	Dawn Iglesias
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**AGENCY BILL ANALYSIS
2019 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:

LFC@NMLEGIS.GOV

and

DFA@STATE.NM.US

{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}

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: Date 2/27/19
Original **Amendment** **Bill No:** HB261
Correction **Substitute**

Sponsor: Rep. Romero and Rep Thomson **Agency Code:** 924
Short INCREASE CIGARETTE **Person Writing** David Craig/Steve Burrell
Title: TAXES **Phone:** 827-6537 **Email** David.craig@state.nm.us

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY19	FY20		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21		
0.0	\$75,539.0	\$73,874.0	Recurring	Public School Fund/SEG

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: SB166, SB72
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

House Bill 261 amends the Cigarette Tax Act to increase the excise tax on cigarettes, amends the Tobacco Products Act to include e-cigarettes and other vapor products, and taxes tobacco products at an increased rate. Specifically, the bill:

- Increases the excise tax on packs of 25 cigarettes by \$1.88 and on packs of 20, 10, and 5 cigarettes by \$1.50;
- Increases the tobacco products tax from 25 percent to 76 percent of the product value of the tobacco products;
- Revises the cigarette tax distributions with the intent of new revenues from the tax increase to be distributed to the public school fund for the state equalization guarantee (SEG); and
- Expands the definition of “tobacco product” significantly to include:
 - A product that is made of or derived from tobacco or nicotine and that is intended for human consumption, whether smoked, heated, chewed, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means;
 - An electronic device that delivers nicotine or other substances to the person inhaling from the device;
 - A component, part, or accessory of a tobacco product; and,
 - A cigar, chewing tobacco, pipe tobacco, snuff, electronic cigarette, electronic cigar, or electronic pipe.

The effective date of this bill is July 1, 2019.

FISCAL IMPLICATIONS

The fiscal impact table represents LFC staff analysis using the December 2018 consensus revenue forecast for revenue from cigarettes and tobacco products as a starting point. The estimates assume price increases will have an inverse effect on consumption (higher prices will reduce consumption) of cigarettes, tobacco products, and e-cigarettes. These estimates assume all consumption for cigarettes come from packs of 20, which is how the large majority of cigarettes are sold. New revenues from the tax increases are expected to total about \$75 million annually.

The analysis provided by the Taxation and Revenue Department (TRD) assumes the cigarette tax increase will result in smaller declines in consumption than the LFC analysis. Combined with differing assumptions for revenues from e-cigarettes, this results in TRD's estimate being about \$14 million higher than the LFC estimate.

SIGNIFICANT ISSUES

This bill generates about \$75 million in revenue for the public school fund and will accordingly increase the unit value and therefore the SEG amounts that are appropriated and then allocated to school districts and charter schools.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 166 also seeks to amend the cigarette tax rates and include e-cigarettes in the tobacco products tax.

Senate Bill 72 is a duplicate of this bill.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS