

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

SENATE BILL

54TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2019

INTRODUCED BY

DISCUSSION DRAFT

FOR THE TOBACCO SETTLEMENT REVENUE OVERSIGHT COMMITTEE

AN ACT

RELATING TO TAXATION; INCREASING THE CIGARETTE TAX RATES;
INCREASING THE TOBACCO PRODUCTS TAX RATE; INCLUDING E-
CIGARETTES IN THE DEFINITION OF "TOBACCO PRODUCTS" IN THE
TOBACCO PRODUCTS TAX ACT; DISTRIBUTING THE NEW REVENUE FROM THE
INCREASES IN THE CIGARETTE TAX AND THE TOBACCO PRODUCTS TAX TO
THE PUBLIC SCHOOL FUND FOR THE STATE EQUALIZATION GUARANTEE
DISTRIBUTION; AMENDING AND ENACTING SECTIONS OF THE NMSA 1978.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 7-1-6.11 NMSA 1978 (being Laws 1983,
Chapter 211, Section 16, as amended by Laws 2017, Chapter 34,
Section 2 and by Laws 2017, Chapter 63, Section 9) is amended
to read:

"7-1-6.11. DISTRIBUTIONS OF CIGARETTE TAXES.--

A. A distribution pursuant to Section 7-1-6.1 NMSA

.211240.1

underscoring material = new
~~[bracketed material] = delete~~

underscored material = new
[bracketed material] = delete

1 1978 shall be made to the comprehensive cancer center at the
2 university of New Mexico health sciences center in an amount
3 equal to [~~eighty-three~~] forty-six hundredths percent of the net
4 receipts, exclusive of penalties and interest, attributable to
5 the cigarette tax.

6 B. A distribution pursuant to Section 7-1-6.1 NMSA
7 1978 in an amount equal to [~~eight and eighty-nine~~] four and
8 eighty-three hundredths percent of the net receipts, exclusive
9 of penalties and interest, attributable to the cigarette tax,
10 shall be made, on behalf of and for the benefit of the
11 university of New Mexico health sciences center, to the New
12 Mexico finance authority.

13 C. A distribution pursuant to Section 7-1-6.1 NMSA
14 1978 in an amount equal to [~~three and seventy-four~~] two and
15 four-hundredths percent of the net receipts, exclusive of
16 penalties and interest, attributable to the cigarette tax shall
17 be made to the New Mexico finance authority for land
18 acquisition and the planning, designing, construction and
19 equipping of department of health facilities or improvements to
20 such facilities.

21 D. A distribution pursuant to Section 7-1-6.1 NMSA
22 1978 in an amount equal to [~~nine and seventy-seven hundredths~~]
23 five and three-tenths percent of the net receipts, exclusive of
24 penalties and interest, attributable to the cigarette tax shall
25 be made to the New Mexico finance authority for deposit in the

.211240.1

underscored material = new
[bracketed material] = delete

1 credit enhancement account created in the authority.

2 E. A distribution pursuant to Section 7-1-6.1 NMSA
3 1978 in an amount equal to [~~sixty-two~~] thirty-five hundredths
4 percent of the net receipts, exclusive of penalties and
5 interest, attributable to the cigarette tax shall be made, on
6 behalf of and for the benefit of the rural county cancer
7 treatment fund, to the New Mexico finance authority.

8 F. A distribution pursuant to Section 7-1-6.1 NMSA
9 1978 in an amount equal to forty-five and fifty-six hundredths
10 percent of the net receipts, exclusive of penalties and
11 interest, attributable to the cigarette tax shall be made to
12 the public school fund for the state equalization guarantee
13 distribution."

14 SECTION 2. A new section of the Tax Administration Act is
15 enacted to read:

16 "[NEW MATERIAL] DISTRIBUTION--TOBACCO PRODUCTS TAX TO THE
17 PUBLIC SCHOOL FUND FOR THE STATE EQUALIZATION GUARANTEE
18 DISTRIBUTION.--A distribution pursuant to Section 7-1-6.1 NMSA
19 1978 in an amount equal to sixty percent of the net receipts,
20 exclusive of penalties and interest, attributable to the
21 tobacco products tax shall be made to the public school fund
22 for the state equalization guarantee distribution."

23 SECTION 3. Section 7-12-2 NMSA 1978 (being Laws 1971,
24 Chapter 77, Section 2, as amended) is amended to read:

25 "7-12-2. DEFINITIONS.--As used in the Cigarette Tax Act:

.211240.1

underscoring material = new
~~[bracketed material] = delete~~

1 A. "cigarette" means:

2 (1) any roll of tobacco or any substitute for
3 tobacco wrapped in paper or in any substance not containing
4 tobacco;

5 (2) any roll of tobacco that is wrapped in any
6 substance containing tobacco, other than one hundred percent
7 natural leaf tobacco, which, because of its appearance, the
8 type of tobacco used in the filler, its packaging and labeling,
9 or its marketing and advertising, is likely to be offered to,
10 or purchased by, consumers as a cigarette, as described in
11 Paragraph (1) of this subsection;

12 (3) bidis and kreteks; or

13 (4) any other roll of tobacco that is defined
14 as a "cigarette" in Subsection D of Section 6-4-12 NMSA 1978;

15 B. "close of business" means that time when a
16 business ceases to operate for the remainder of the day or
17 12:00 a.m., if the business is open and conducting business at
18 12:00 a.m.;

19 C. "contraband cigarettes" means cigarette packages
20 with counterfeit stamps, counterfeit cigarettes, cigarettes
21 that have false or fraudulent manufacturing labels, cigarettes
22 not sold in packages of five, ten, twenty or twenty-five,
23 cigarette packages without the tax, tax-credit or tax-exempt
24 stamps required by the Cigarette Tax Act and cigarettes
25 produced by a manufacturer or in a brand family not included in

.211240.1

underscoring material = new
~~[bracketed material] = delete~~

1 the directory;

2 D. "department" means the taxation and revenue
3 department, the secretary of taxation and revenue or any
4 employee of the department exercising authority lawfully
5 delegated to that employee;

6 E. "directory" means a listing of tobacco product
7 manufacturers and brand families that is developed, maintained
8 and published by the attorney general under the Tobacco Escrow
9 Fund Act;

10 F. "distributor" means a person licensed pursuant
11 to the Cigarette Tax Act to sell or distribute cigarettes in
12 New Mexico. "Distributor" does not include:

13 (1) a retailer;

14 (2) a cigarette manufacturer, export warehouse
15 proprietor or importer with a valid permit pursuant to 26
16 U.S.C. 5713, if that person sells cigarettes in New Mexico only
17 to distributors that hold valid licenses under the laws of a
18 state or sells to an export warehouse proprietor or to another
19 manufacturer; or

20 (3) a common or contract carrier transporting
21 cigarettes pursuant to a bill of lading or freight bill, or a
22 person who ships cigarettes through the state by a common or
23 contract carrier pursuant to a bill of lading or freight bill;

24 G. "license" means a license granted pursuant to
25 the Cigarette Tax Act that authorizes the holder to conduct

.211240.1

underscored material = new
[bracketed material] = delete

1 business as a manufacturer or distributor of cigarettes;

2 H. "manufacturer" means a person that manufactures,
3 fabricates, assembles, processes or labels a cigarette or that
4 imports from outside the United States, directly or indirectly,
5 a finished cigarette for sale or distribution in the United
6 States;

7 I. "master settlement agreement" means the
8 settlement agreement and related documents entered into on
9 November 23, 1998 by the state and leading United States
10 tobacco product manufacturers;

11 J. "package" means an individual pack, box or other
12 container; "package" does not include a container that itself
13 contains other containers, such as a carton of cigarettes;

14 K. "qualifying tribal cigarette tax" means an
15 excise, privilege or similar tax at a minimum rate of:

16 (1) [~~three and seventy-five hundredths cents~~
17 ~~(\$.0375)~~] eleven and one-fourth cents (\$.1125) per cigarette if
18 the cigarettes are packaged in lots of twenty or twenty-five;

19 (2) [~~seven and one-half cents (\$.075)~~] twenty-
20 two and one-half cents (\$.225) per cigarette if the cigarettes
21 are packaged in lots of ten; or

22 (3) [~~fifteen cents (\$.15)~~] forty-five cents
23 (\$.45) per cigarette if the cigarettes are packaged in lots of
24 five;

25 L. "retailer" means a person, whether located

.211240.1

underscoring material = new
~~[bracketed material] = delete~~

1 within or outside of New Mexico, that sells cigarettes at
2 retail to a consumer in New Mexico and the sale is not for
3 resale;

4 M. "stamp" means an adhesive label issued and
5 authorized by the department to be affixed to cigarette
6 packages for excise tax purposes and upon which is printed a
7 serial number and the words "State of New Mexico" and "tobacco
8 tax";

9 N. "tax stamp" means a stamp that has a specific
10 cigarette tax value pursuant to the Cigarette Tax Act;

11 O. "tax-credit stamp" means a stamp that indicates
12 the cigarette package bearing the stamp is to be or has been
13 sold by a retailer located on land of a tribe that has imposed
14 a qualifying tribal cigarette tax;

15 P. "tax-exempt stamp" means a stamp that indicates
16 a tax-exempt status pursuant to the Cigarette Tax Act;

17 Q. "tribal member" means a person who is recognized
18 by the governing body of an Indian tribe to be an enrolled
19 member of that Indian tribe;

20 R. "tribe" means a federally recognized Indian
21 nation, tribe or pueblo located wholly or partially in New
22 Mexico, including:

23 (1) a political subdivision, agency or
24 department of a tribe;

25 (2) an incorporated or unincorporated

.211240.1

underscored material = new
[bracketed material] = delete

1 enterprise of a tribe, one or more tribes or a political
2 subdivision of a tribe; or

3 (3) a corporation considered to be an Indian
4 or a tribe by the federal government or the state; and

5 S. "tribe's land" means the reservation, pueblo
6 grant or trust land of a tribe and property held by the United
7 States in trust jointly for the nineteen New Mexico Indian
8 pueblos pursuant to Public Law 95-232."

9 SECTION 4. Section 7-12-3 NMSA 1978 (being Laws 1971,
10 Chapter 77, Section 3, as amended) is amended to read:

11 "7-12-3. EXCISE TAX ON CIGARETTES--RATES.--

12 A. For the privilege of selling, giving or
13 consuming cigarettes in New Mexico, there is levied an excise
14 tax at the following rates for each cigarette sold, given or
15 consumed in this state:

16 (1) [~~eight and three-tenths cents (\$.083)~~]
17 fifteen and eight-tenths cents (\$.158) if the cigarettes are
18 packaged in lots of twenty or twenty-five;

19 (2) [~~sixteen and six-tenths cents (\$.166)~~]
20 thirty-one and six-tenths cents (\$.316) if the cigarettes are
21 packaged in lots of ten; or

22 (3) [~~thirty-three and two-tenths cents~~
23 ~~(\$.332)~~] sixty-three and two-tenths cents (\$.632) if the
24 cigarettes are packaged in lots of five.

25 B. The tax imposed by this section shall be

.211240.1

underscored material = new
[bracketed material] = delete

1 referred to as the "cigarette tax"."

2 SECTION 5. Section 7-12A-2 NMSA 1978 (being Laws 1986,
3 Chapter 112, Section 3, as amended) is amended to read:

4 "7-12A-2. DEFINITIONS.--As used in the Tobacco Products
5 Tax Act:

6 A. "department" means the taxation and revenue
7 department, the secretary or any employee of the department
8 exercising authority lawfully delegated to that employee by the
9 secretary;

10 B. "distribute" means to sell or to give;

11 C. "e-cigarette":

12 (1) means any electronic oral device that can
13 be used to provide a vapor or aerosol of nicotine or any other
14 substance to the person inhaling from the device; and

15 (2) includes any such device, or any part
16 thereof, whether manufactured, distributed, marketed or sold as
17 an e-cigarette, e-cigar, e-pipe or any other product name or
18 descriptor;

19 [~~G-~~] D. "engaging in business" means carrying on or
20 causing to be carried on any activity with the purpose of
21 direct or indirect benefit;

22 [~~D-~~] E. "first purchaser" means a person engaging
23 in business in New Mexico [~~who~~] that manufactures tobacco
24 products or [~~who~~] that purchases or receives on consignment
25 tobacco products from any person outside of New Mexico, which

.211240.1

underscored material = new
[bracketed material] = delete

1 tobacco products are to be distributed in New Mexico in the
2 ordinary course of business;

3 ~~[E-]~~ F. "person" means any individual, estate,
4 trust, receiver, cooperative association, club, corporation,
5 company, firm, partnership, joint venture, syndicate, limited
6 liability company, limited liability partnership, other
7 association or gas, water or electric utility owned or operated
8 by a county or municipality or other entity of the state;
9 "person" also means, to the extent permitted by law, a federal,
10 state or other governmental unit or subdivision or an agency,
11 department or instrumentality;

12 ~~[F-]~~ G. "product value" means the amount paid, net
13 of any discounts taken and allowed, for tobacco products or, in
14 the case of tobacco products received on consignment, the value
15 of the tobacco products received or, in the case of tobacco
16 products manufactured and sold in New Mexico, the proceeds from
17 the sale by the manufacturer of the tobacco products; and

18 ~~[G-]~~ H. "tobacco product" means:

19 (1) any product, other than cigarettes, made
20 of or derived from [or containing] tobacco or nicotine that is
21 intended for human consumption, whether smoked, heated, chewed,
22 absorbed, dissolved, inhaled, snorted, sniffed or ingested by
23 any other means, including cigars, chewing tobacco, e-
24 cigarettes, pipe tobacco or snuff; and

25 (2) any component, part or accessory used to

.211240.1

underscored material = new
[bracketed material] = delete

1 consume tobacco but does not include any product that has been
2 approved by the United States food and drug administration for
3 sale as a tobacco cessation product or for other therapeutic
4 purposes where such product is marketed and sold solely for
5 such an approved use."

6 SECTION 6. Section 7-12A-3 NMSA 1978 (being Laws 1986,
7 Chapter 112, Section 4, as amended) is amended to read:

8 "7-12A-3. IMPOSITION AND RATE OF TAX--DENOMINATION AS
9 "TOBACCO PRODUCTS TAX"--DATE PAYMENT OF TAX DUE.--

10 A. For the privilege of engaging in business to
11 manufacture [~~or acquisition of~~], acquire or distribute tobacco
12 products [~~in New Mexico to be distributed~~] in the ordinary
13 course of business and for the [~~consumption of~~] privilege of
14 consuming tobacco products in New Mexico, there is imposed an
15 excise tax at the rate of [~~twenty-five~~] seventy-six percent of
16 the product value of the tobacco products.

17 B. The tax imposed by Subsection A of this section
18 may be referred to as the "tobacco products tax".

19 C. The tobacco products tax shall be paid by the
20 first purchaser on or before the twenty-fifth day of the month
21 following the month in which the taxable event occurs."

22 SECTION 7. EFFECTIVE DATE.--The effective date of the
23 provisions of this act is July 1, 2019.