

Synopsis of Original Bill

SB 37 eliminates the volume discount allowed cigarette distributors when they purchase cigarette stamps. The discount rates allowed in current law are as follows: 4% on the first \$30,000 of stamps purchased; 3% on the second \$30,000, and 2% on purchases over \$60,000.

FISCAL IMPLICATIONS

TRD has assumed that stamp purchasers will “stock up” on enough stamps by June 30, 2002 while the discount still applies to cover the first three months of the year.

TECHNICAL ISSUES

TRD notes that the title of section 7-12-7 includes the word “Prices” although the section makes no reference to prices. This wording could be stricken by an amendment to this bill since it is amending that section of statute.

OTHER SUBSTANTIVE ISSUES

TRD makes the following observations:

1. Some amount of discount has been allowed in New Mexico on the purchase of cigarette stamps since the 1940's. The current rate scheme was adopted in 1963 and the dollar thresholds were adopted in 1971.
2. Only 2 of the 47 states that require cigarette tax stamps do not allow some type of discount to cigarette taxpayers. The discount is usually considered either compensation for affixing tax stamps or compensation for pre-collection of a tax on the consumer.
3. Several proposals to significantly increase the cigarette tax have been suggested during this legislative session. Because the stamping discount is a percentage of the face value of the stamps, the value of the discount increases with the rate of the tax.

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