NOTE: As provided in LFC policy, this report is intended only for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used for other purposes.

The most recent FIR version (in HTML & Adobe PDF formats) is available on the Legislative Website. The Adobe PDF version includes all attachments, whereas the HTML version does not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

F I S C A L I M P A C T R E P O R T

SPONSOR: Kidd DATE TYPED: 10/30/03 HB

SHORT TITLE: Soft Drink Tax Act SB 19

ANALYST: Taylor

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	**FY05**	**FY04**	**FY05**		
3,950.0	9,450.0				General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	**FY05**			
7,900.0	18,900.0	19,300.0	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

SUMMARY

Synopsis of Bill

The Soft Drink Tax Act enacts a tax on soft drinks. Soft drinks are defined as non-alcoholic flavored beverages containing a sweetener additive, including ginger ale, cola or any drink commonly referred to as a soft drink as well as fruit and vegetable drinks containing ten percent or less fruit or vegetable juice. The tax rate is $2.00 per gallon of soft drink or soft drink syrup or powder sold, and $0.21 per gallon of bottled soft drink sold. Soft drink sales to the armed forces are exempt from the tax, and a deduction is provided for out-of state-sales.

Fifty-percent of tax proceeds are distributed to the Department of Health for diabetes prevention and public education programs and 50 percent to the general fund.

FISCAL IMPLICATIONS

As of this writing TRD has not issued an FIR on this bill; estimates are based on a similar bill introduced in the last legislative session. TRD estimated that 90 million gallons of soft drink would be consumed in New Mexico. Estimated consumption seems to be roughly based on a national average consumption of 54 gallons per person. 90 million gallons multiplied by 21 cents per gallon would raise just under $18.9 million on a full year basis. The fiscal impact for the current year assumes that the tax becomes effective in February, yielding five months of revenue collections.

The estimated revenue for FY04 is $7.9 million and $18.9 million for FY05. Half of the money raised by the tax is allocated to the Health Department. Based on estimated revenues this would yield $3.95 million in the current year and $9.45 million in FY05.

Note: The bill provides for continuing appropriations. LFC policy generally discourages ear-marking funds as earmarking reduces the ability of the legislature to establish spending priorities.

BT/yr