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## FISCAL IMPACT REPORT

SPONSOR Ortiz y Pino DATE TYPED 03/18/05 HB \_\_\_\_\_  
 LIQUOR EXCISE TAX WHOLESALER  
 SHORT TITLE SURCHARGE SB 620  
 ANALYST Padilla-Jackson

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY06	FY07			
\$37,155	\$37,898		Recurring	Human Services Department

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 620 provides for a surcharge on the liquor excise tax. The revenues from the surcharge are to be distributed to the Human Services Dept. to provide health coverage to people who fall below two hundred percent of the federal poverty level. Interstate and military sales are exempt from the surcharge.

There is no effective date provided.

### FISCAL IMPLICATIONS

The total fiscal impact of this bill, as estimated by TRD, is approximately \$37 million to the Human Services Department. TRD notes that fiscal impact estimates are based on the forecast from the Consensus Forecast Group. It is assumed the additional surcharge will increase liquor prices and have a negative impact on liquor consumption. The liquor surcharge would add an average \$0.044 per drink to the liquor excise tax, a 95 percent increase. The total tax and surcharge average is \$0.09 per drink. For fiscal year 2006 an estimated 838,000,000 million drinks will be sold.

**ADMINISTRATIVE IMPLICATIONS**

TRD notes that collecting the new surcharge would require a new return and configuration to add a new computer program. The estimate that 120 hours will be needed to code, test, and implement a new program.

**OTHER SUBSTANTIVE ISSUES**

TRD notes that, with the addition of the surcharges on liquors, New Mexico's taxes on liquor would rank as some of the nation's highest. For beer and liquor we would rank 2nd behind Alaska, and 3rd for taxes on wine, after Alaska and Florida. They note, however, that it is not clear, however, that having a higher-than-average liquor tax would be a serious competitive disadvantage for New Mexico.

**OPJ/yr**