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## FISCAL IMPACT REPORT

SPONSOR Beam DATE TYPED 02/08/05 HB 319

SHORT TITLE INCREASE TOBACCO PRODUCTS TAX SB \_\_\_\_\_

ANALYST Padilla-Jackson

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY06	FY07			
\$2,432.0	\$2,408.0		Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
Taxation and Revenue Department (TRD)

FOR THE TOBACCO SETTLEMENT REVENUE COMMITTEE AND THE LEGISLATIVE HEALTH AND HUMAN SERVICES COMMITTEE

### SUMMARY

#### Synopsis of Bill

House Bill 319 amends current tax statutes to increase the excise tax imposed on the manufacture or acquisition of tobacco products in New Mexico for sale in the ordinary course of business. The bill increases the tax, which is referred to in current statute as the “tobacco products tax”, 15 percentage points from 25 percent to 40 percent of the product value of the tobacco products.

No effective data is provided for this bill.

### FISCAL IMPLICATIONS

According to the analysis provided by TRD, the proposed increase in the tobacco products tax to 40 percent of value will generate approximately \$2.4 million of additional revenue to the general fund. TRD’s estimate accounts for a decline in consumption of tobacco products due to the in-

creased tax from about \$19.2 million to \$18 million. Total revenues for the tobacco products tax would increase under the bill from \$4.8 million to approximately \$7.2 million for FY06 and FY07.

**ADMINISTRATIVE IMPLICATIONS**

Minimal impact expected.

**TECHNICAL ISSUES**

For ease of administration, TRD requests that the bill have an effective date that conforms to the usual collection periods for the tax such as July 1, 2005.

**OTHER SUBSTANTIVE ISSUES**

If enacted, TRD notes that New Mexico will have the eighth highest tax rate on tobacco products in the nation.

**OPJ/njw**