Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

FISCAL IMPACT REPORT

		LAST UPDATED	2/23/23
SPONSOR	Tallman	**ORIGINAL DATE**	2/17/23
SHORT TITLE	Liquor Tax to Domestic Violence Fund	**BILL NUMBER**	Senate Bill 61/aSTBTC
		ANALYST	Faubion

REVENUE*
(dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY23	FY24	FY25	FY26	FY27		
--	($25,341)	($25,563)	($25,826)	($26,048)	Recurring	General Fund
--	$2,890	$2,829	$2,738	$2,688	Recurring	Local DWI Grant Fund
--	$40	$40	$40	$40	Recurring	Municipality – Class A County (Farmington)
--	$323	$313	$303	$303	Recurring	Drug Court Fund
--	$14,257	$14,333	$14,413	$14,494	Recurring	Domestic Violence Victims Fund
--	$14,257	$14,333	$14,413	$14,494	Recurring	Substance Abuse Education Fund

Parenthesis ( ) indicate revenue decreases
*Amounts reflect most recent version of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
--	$428.3	$428.3	$856.7	Recurring	HSD
$157.5	--	--	$157.5	Nonrecurring	TRD – ITD
$2.9	--	--	$2.9	Nonrecurring	TRD – ASD
$6.6	--	--	$6.6	Nonrecurring	TRD – RPD

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent version of this legislation.

Conflicts with SB220, SB259, HB230, HB321
Relates to SB147

Sources of Information

LFC Files

Responses Received From
Children, Youth, and Families Department (CYFD)
State Treasurer's Office (STO)
Human Services Department (HSD)
Department of Health (DOH)

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of STBTC Amendment to Senate Bill 61

The Senate Tax, Business, and Transportation Committee amendment to Senate Bill 61 adds a 24.75 percent distribution of the liquor excise tax receipts to the substance abuse education fund and reduces the distribution to the domestic violence victims fund from 49.5 percent to 24.75 percent. The STBTC amendment also increases the tax rate of products produced by local microbrewers, small winegrowers, and craft distillers to gradually bring the rate up to the base rate for non-local products as the size of producer increaser.

Under the amended bill, the distributions of the net receipts attributable to the liquor excise tax are as follows:

Percent Distribution of Liquor Excise Tax Revenue	Earmarked Use
45%	Local DWI Grant Fund
0.5%	Municipalities in a class A county with a population of 30,000 – 60,000
5%	Drug Court Fund
24.75%	Domestic Violence Victims Fund
24.75%	Substance Abuse Education Fund

Synopsis of Original Bill

Senate Bill 61 (SB61) creates a new fund, the domestic violence victims fund, to be administered by the Human Services Department (HSD) and subject to appropriation by the Legislature to provide assistance to victims of domestic violence. SB61 adjusts the distributions of the liquor excise tax to include 49.5 percent of receipts to the domestic violence victims fund and converting the class A municipality disbursement from $20,750 per month to one-half percent. SB61 converts the liquor tax rate to a per-serving basis. Lastly, this bill also amends the definition of county in Section 7-24-9 NMSA 1978, removing specific parameters on counties eligible to enact Local Liquor Excise Tax ordinances and enabling all counties to impose that tax.

Under the proposed bill, the distributions of the net receipts attributable to the liquor excise tax are as follows:

Percent Distribution of Liquor Excise Tax Revenue	Earmarked Use
45%	Local DWI Grant Fund
0.5%	Municipalities in a class A county with a population of 30,000 – 60,000
5%	Drug Court Fund
49.5%	Domestic Violence Victims Fund

The effective date of this bill is July 1, 2023.

FISCAL IMPLICATIONS

Using the December 2022 Consensus Estimating Revenue Group general fund forecast for liquor excise tax, LFC applied the proposed rate changes and distribution to determine the fiscal impact. Based on the distribution changes, the general fund would no longer receive any revenue from liquor excise tax net receipts versus approximately 49.5 percent under current statute, resulting in a negative revenue impact through the forecast period. The proposed excise tax rates are slightly higher than the current rates. If applied to past collections, the amount collected would be approximately 10.5 percent higher under the proposed rates than current rates, in aggregate.

The amount to be distributed to municipalities that are located in a class A county with a population of more than 30 thousand but less than 60 thousand is amended to 0.5 percent of net receipts instead of the $20,750 monthly in current law. The change of this distribution from a fixed rate to a percentage has a small impact on that distribution given the projected revenues. Currently, only Farmington qualifies for this distribution. If only one municipality qualifies for this distribution, as has been the case recently and is assumed in this fiscal analysis, that city will receive more of this distribution each year.

The amount distributed to the local DWI grant fund and the drug court fund would increase slightly due to a slight increase in the excise tax rate. The new domestic violence victims fund and the substance abuse education fund would each receive a distribution at 24.75 percent.

The bill does not include an appropriation but does create a domestic violence victims fund. The fund allows for continuing appropriations, donations, investment interest, and other sources and shall be administered by HSD. The revenue distributions contained in this bill are a recurring expense to the general fund. LFC has concerns with including continuing distribution language in the statutory provisions for newly created or existing funds because earmarking reduces the ability of the Legislature to establish spending priorities.

This bill may be counter to the LFC tax policy principle of adequacy, efficiency, and equity. Due to the increasing cost of tax expenditures, revenues may be insufficient to cover growing recurring appropriations.

The Taxation and Revenue Department notes the following regarding the methodology used for the fiscal impact analysis:

> The Taxation and Revenue Department (TRD) used the Liquor Excise Tax forecast from the Consensus Revenue Estimating Group (CREG) in December 2022 to estimate the revenue impact of the proposed tax increases and distribution changes. The Liquor Excise Tax covers a variety of products. The bill proposes tax increases to all the categories based on new rates at a serving size volume versus the wholesale volume taxed today. TRD converted the new rates to current volumes to measure the price increases. TRD applied different demand elasticities to the products. Based on a study of the impact of

price and income elasticities of demand for alcoholic beverages by Leung and Phelps[1], they found beer to have a price elasticity of -0.3, wine a price elasticity of -1.0 and for distilled spirits, an elasticity of -1.5. Based on these elasticities, beer consumption is less sensitive to price changes versus wine and distilled spirits. TRD assumed the same price elasticity for fortified wine as wine, cider and micro-brewed beer as for beer. The price increases per product are relatively low, thus the application of price elasticity is more efficient to model. The decrease in liquor consumption could still be higher than what is modeled, reducing positive revenue impacts forecasted to the various funds. Also, if the purchase of liquor products for consumption moves to neighboring states or to online purchasing (see Policy Issues below), then the assumed drop in liquor purchases in state could also be higher still. TRD makes no assumption of changes in consumption patterns between liquor products. A note that the proposed liquor rate indexing for inflation starts in FY28 beyond the fiscal impact horizon. For the fiscal impact among different funds, TRD applied the new distribution percentages proposed in Section 7-1-6.40 NMSA 1978.

This bill gives all counties the ability to enact a local liquor excise tax and may result in an increase in county revenues. Under Section 7-24-10.1 NMSA 1978, the use of the funds is defined in statutes. It is unknown how many counties may choose to enact and at what rate (which may be from 1 percent to 6 percent). If different counties do choose to enact, there may be changes in consumption patterns between counties and outside of the state as consumers seek product with a lower effective tax.

SIGNIFICANT ISSUES

This bill applies a per serving tax rate but does not tax each serving of alcohol equally. For example, a serving of beer is taxed at 4 cents per serving while liquor is taxed at double that rate at 8 cents per serving even though the amount of alcohol is the same.

The Taxation and Revenue Department notes the following policy issues:

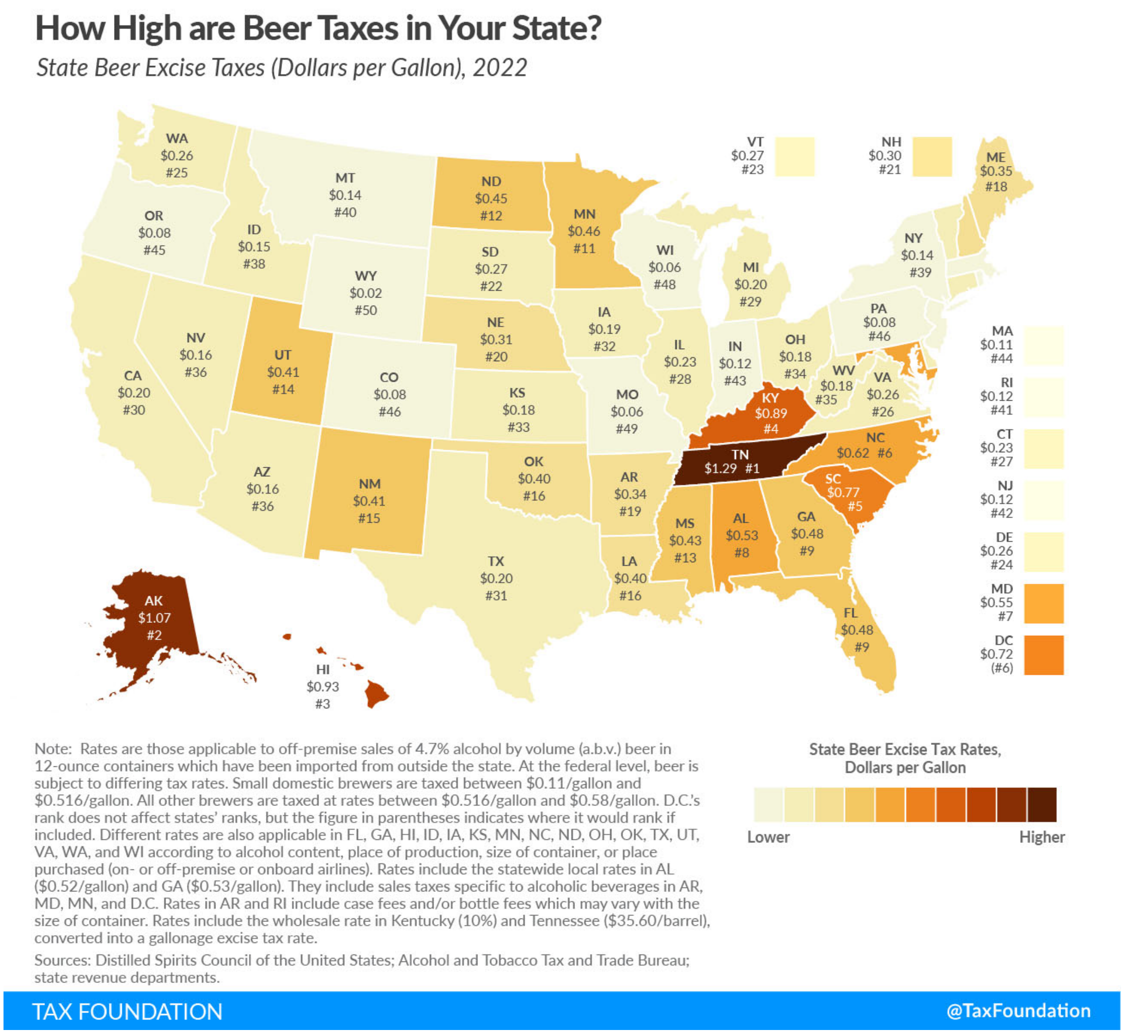
Alcohol and substance abuse are among the costliest health problems in the United States. Different studies have shown that public investment reduces alcohol and substance abuse and delays abuse initiation at young ages. In that regard, the redistribution of revenue to targeted alcohol abuse funds or for this bill a fund for potential victims of alcohol and substance abuse may impact and support community programs. This would establish a consistent future fund balance for budgeting appropriations from these funds but would permanently divert liquor excise tax revenue from the general fund.

New Mexico's tax code is out of line with most states in that more complex distributions are made through the tax code. As an alternate to this proposal and revenue earmarks, the liquor excise tax could continue to be distributed to the general fund and alcohol abuse

[1] Leung, S.F., and Phelps, C.E. "My kingdom for a drink . . .?" A review of estimates of the price sensitivity of demand for alcoholic beverages. In: Hilton, M.E. and Bloss, G., eds. *Economics and the Prevention of Alcohol-Related Problems*. NIAAA Research Monograph No. 25, NIH Pub. No. 93–3513. Bethesda, MD: National Institute on Alcohol Abuse and Alcoholism, 1993. pp. 1–32. As summarized and cited in the study: 'Chaloupka FJ, Grossman M, Saffer H. The effects of price on alcohol consumption and alcohol-related problems. Alcohol Res Health. 2002;26(1):22-34. PMID: 12154648; PMCID: PMC6683806.

funding needs could be provided for through general fund appropriations in HB2. The more complex the tax code's distributions, the costlier it is for TRD to maintain the GenTax system and the more risk is involved in programming changes.

The bill increases all tax rates by liquor product. The increases will be passed on to consumers, which may drive some of the purchasing of products to neighboring states with lower tax rates or to online retail purchasing. The map below from the Tax Foundation compares the tax rates of beer between states. Currently among neighboring states, New Mexico along with Utah, have the highest tax rate on beer per gallon. The proposed tax increase to beer, will place New Mexico the highest in the region at approximately $0.43 per gallon.



Studies are mixed on the impact raising prices to reduce liquor consumption. Part of the inclusive correlation is due to various other factors that are used to curb consumption of alcohol as it relates to health outcomes and preventing impaired driving. In empirical studies it is hard to control for other social and legal steps that are taken to curb excessive drinking and then driving. Finally, there are studies pointing to the differences in policies and the impact by gender and race. If increasing liquor rates is part of a social effort to curb excessive drinking to improve quality of health and prevent impaired driving, then a comprehensive approach to tax policy, health and social policy would be recommended.

The change to a tax rate by consumption serving size volume versus the wholesaler volume (see Technical Issues) adds complexity to the tax code and increases the tax compliance burden on both taxpayers and TRD. Complexity does not comport generally with the best tax policy. As the tax remains on wholesalers, who do not sell to retailers on a "serving" basis – the unit of consumption proposed by the bill – wholesalers will have to convert wholesale volume measurements into number of servings, which increases complexity and the cost of compliance and may lead to reporting errors.

The expansion of the local liquor excise tax to all counties provides equity in counties being given the choice to enact, raise revenues and support local alcohol and substance abuse programs. There could be unintended consequences if one county enacts and neighboring counties do not, changing the consumption patterns of where consumer purchase alcohol. But like gross-receipts tax local increments having variability across taxing districts, that variability will be at the decision of local governments and their constituents.

This bill expands the universe of counties that can implement a local liquor excise tax by removing the specific definition of county in the local liquor excise tax act that previously only included McKinley County. By opening up local liquor excise tax to all counties, the liquor excise tax return will become more complicated with different location codes and different rates. This type of expansion of the entities that can implement the rate will affect taxpayers as their local areas implement the tax. There will need to be outreach to local taxpayers as counties start approving local rates to get them registered and filing the local liquor excise tax which currently is a separate return than liquor excise tax.

The Children, Youth, and Families Department notes the following:

This bill provides a substantial, consistent, reliable new flow of monies for the purpose of supporting domestic violence programs throughout the state. There are currently 43 programs serving domestic violence survivors, 43 programs serving child victims, one program providing legal services for victims, 28 providers providing domestic violence offender services, three training and technical assistance providers, and 23 tribal and non-profit providers serving sexual assault victims. Of the funding for the programs serving domestic violence survivors, CYFD provides at least half of all funding for these services.

Currently, funding for the domestic violence programs in New Mexico comes from a variety of sources, including CYFD (including federal Family Violence Prevention and Services Act grants), the Crime Victims Reparation Commission (including federal Victims of Crime Act and Violence Against Women Act grants), the Mortgage Finance Authority (including federal HUD grants), and private funding, all of them subject to change (most recently, federal funding available through the federal Victims of Crime Act fund allocation was reduced by $1.5 million). A stable funding source such as this newly created fund will support workforce development and retention, in addition to program expansion. This is particularly important, as, while the Centers for Disease Control and Prevention estimate that at least 110 thousand New Mexicans experience severe domestic violence each year, the current array of service providers were only able to provide services to 10,865 offenders and 1,676 perpetrators in FY22.

The Human Services Department (HSD) notes the following:

> The burden of substance use disorder among the New Mexico population is well documented with regard to drug and alcohol injury and death. New Mexico continues to rank at or near the top of the nation with both alcohol and drug overdose death. The drug overdose death rate in New Mexico has doubled in the last five years increasing from 24.6 deaths per 100,000 population in 2017 to 50.6 deaths per 100,000 population in 2021 (NMDOH Bureau of Vital Records and Health Statistics). Additional funding to support services for substance use disorder could help decrease substance related deaths and injuries.
> Per a 2016 report prepared by Kitty Richards, MPH, total costs associated with excessive alcohol consumption in New Mexico in 2010 were $2,233 million per year. Of total costs, $332.7 (14.9 percent) million was spent on health care. Of 2010 health care costs, 44 percent were paid for through Medicaid ($77.65 million) and state and local governments ($68.54 million), totaling $146.19 million (Sacks, et al. 2015).

Total costs of excessive alcohol consumption	2,232.9
Health care costs of excessive alcohol consumption	332.7
Health care costs of excessive alcohol consumption covered by Medicaid, state, and local government	146.19
Health care costs of excessive alcohol consumption covered by state and local government only	68.54
Health care costs of excessive alcohol consumption covered by Medicaid only	77.65

> Based on an annual growth rate of 5 percent per year in Medicaid expenditures from 2010 through 2015 (Henry J. Kaiser Family Foundation, Urban Institute and KCMU analysis of CMS Form 64 data, FY 1990-2014), a projected $99 million in Medicaid dollars were spent to treat and care for illnesses caused by excessive alcohol consumption in New Mexico in 2015. The estimated share of Medicaid expenditures borne by the state and Federal government were $21.81 million and $77.33 million, respectively.

Health care costs of excessive alcohol consumption covered by Medicaid only	99.14
Medicaid health care costs of excessive alcohol consumption covered by state government	21.81
Medicaid health care costs of excessive alcohol consumption covered by Federal government	77.33

> A 2015 reported prepared by Dr. David Jernigan, Dr. Lisa Marie Cacari Stone, and Dr. Victoria Sanchez titled *The Economic and health Effects of a Twenty-Five Cents per Drink Alcohol Excise Tax Increase in New Mexico* found that increasing taxes on alcohol has been found to decrease overall alcohol consumption and improve health outcomes related to overconsumption of alcohol. It also reduces deaths due to alcohol. It stated:

- A 25 cent per drink increase in New Mexico's alcohol excise tax would result in an additional $187.2 million in total cost savings for New Mexico's economy. It would also result in a 9.98 percent decrease in alcohol consumption.
- This decreased consumption would save 52 lives, prevent 306 violent acts, and prevent 12,375 cases of alcohol dependence or abuse in New Mexico every year.
- The decrease in alcohol consumption would also result in an annual increase in economic productivity of $128.1 million in New Mexico.
- Productivity gains would more than offset job losses in the alcohol industry. The additional state revenues generated from the increased alcohol excise tax would create 616 jobs in the health and mental health care fields (if the additional revenues were directed toward health care) or 2,898 jobs if the funds simply went into the state's general fund (Center on Alcohol Marketing and Youth, 2015).
- Underage drinking - alcohol use among New Mexicans between the ages of 12 and 20 – would decrease by 13 percent (7,150 youth). Binge drinking among youth would decrease by 4,680 people. The annual costs of underage drinking would be reduced by $20.6 million.
- Excessive drinkers, who make up 18.9 percent of adults age 18 and above, will pay the overwhelming bulk (75 percent) of the tax, an average of $51.14 in additional tax per year, compared to $9.85 for non-excessive drinkers (32.1 percent of adults). Non-drinkers (who comprise 49 percent of adult New Mexicans) will pay nothing. (Center on Alcohol Marketing and Youth, 2015).
- Case studies from other states that have raised alcohol excise taxes suggest that states do not lose alcohol sales to neighboring states because of increased alcohol excise taxes, particularly if, like New Mexico, they have thriving tourism markets and gaming establishments and are sparsely populated along borders (Nesbit, 2005).

The Department of Health (DOH) notes the following:

According to data from the New Mexico Department of Health's Bureau of Vital Records and Health statistics, 2,274 New Mexicans died from alcohol-related causes in 2021. This means that approximately 1 in 11 deaths in New Mexico were due to alcohol-related causes. The age-adjusted death rate per 100,000 New Mexican residents for alcohol related causes increased from 65.7 deaths in 2017 to 102.8 deaths in 2021. The rate of alcohol deaths in New Mexico is nearly double the latest US rate of 46.7 deaths per 100,000 residents during 2020.

Increasing alcohol taxes, according to the Centers for Disease Control and Prevention's (CDC) Community Guide and the World Health Organization's (WHO) SAFER initiative, are proven methods to reduce excessive alcohol consumption.

According to Laquer *et al.*'s. 2018 review published in the Journal of Health Affairs, the researchers found that over a third of abusive partners have significant alcohol problems, and U.S. female victims of intimate partner violence report their partner to have been drinking before an assault in close to 30 percent of reported incidents. The researchers found that alcohol-consuming perpetrators were significantly more likely to cause substantial physical injury to their partners, relative to sober perpetrators and in most documented intimate partner homicides, the perpetrators were identified as having been under the influence of substances (including alcohol) when the crime occurred. Studies reviewed by Laquer *et al.* also found that the price of alcohol is negatively associated with the risk of violence against female intimate partners— a 1 percent increase in the price of alcohol is estimated to decrease the probability of being a female victim of spousal abuse by 5 percent.

However, the strength of association between alcohol pricing and intimate partner outcomes are questioned by other researchers. Megan Kearns *et al*.'s 2015 study in the Journal of Studies on Alcohol and Drugs found that a higher density of alcohol outlets were associated with greater rates of intimate partner violence (IPV); whereas, the evidence was more limited on whether alcohol pricing policies and restrictions on hours and days of sale were associated with reductions in IPV outcomes. In contrast, a 2018 metanalysis of 60 studies conducted by Yakubovich *et al.* found that unplanned pregnancies and women whose parents had less than a high-school education were the strongest modifiable risks associated with intimate partner violence.

In 2021, the age-adjusted death rate per 100,000 New Mexican residents who died from alcohol-related causes was nearly double that for males (146.5) compared to females (60.9). Nearly 3 in 4 (73 percent, or 1655 individuals) of the alcohol-related deaths occurred in New Mexicans aged 25-64 years old, making alcohol the leading cause of death in this age group. American Indians bore the highest burden of alcohol-related deaths with a death rate of 311.1 deaths per 100,000 residents during 2021. McKinley County (335.7 deaths per 100,000), Cibola County (179.8 deaths per 100,000), and Rio Arriba County (176.6 deaths per 100,000) had the highest age-adjusted death rates for alcohol-related causes during 2021. Whereas the counties of Roosevelt (52.7 deaths per 100,000) and Los Alamos (35.2 deaths per 100,000) had the lowest age-adjusted rate for alcohol-related deaths during 2021.

The group most impacted by this bill would be individuals who drink alcohol. According to New Mexico Behavioral Risk Factor Surveillance Survey (NM BRFSS), 46 percent of New Mexico adults in 2021 drank alcohol within the past month. NM BRFSS also reports that in 2021, 14.6 percent of New Mexican engaged in binge drinking (which is 4 or more alcoholic drinks on occasion for women and 5 or more alcoholic drinks on occasion for men).

PERFORMANCE IMPLICATIONS

CFYD has performance measures related to domestic violence which will be improved by this bill. Additionally, stabilizing the domestic violence services workforce and supporting providers in developing a more highly trained and long-term frontline staff will have a positive impact on outcomes for survivors.

The Behavioral Health Services Division (BHSD) within HSD currently commits $2 million across seven different providers statewide to address and support individuals impacted by sexual assault, who may also be victims of domestic violence. Funding appropriated to BHSD by SB61 could be overseen within the purview of this programming. The additional funding distribution to BHSD would require additional 2 FTE and a portion of a supervisors' time to implement. BHSD will need to develop a process for ensuring appropriate and rigorous evaluation of the efficacy and impact of this appropriation. Children, Youth, and Families Department oversee funding to agencies that provide services to domestic violence survivors and may either receive a portion of this funding or collaborate with BHSD as part of this program.

HSD notes that it is unclear whether this funding can be matched with federal Medicaid funds. The best possible federal Medicaid matching would be at 50 percent (the Administrative rate). However, obtaining this match is questionable, because grant funding programs need federal approval in order to receive federal matching funds. If a county operated a substance abuse center at an annual cost to the benefit of Medicaid members, then federal matching of state funds is possible. If approved, then HSD could get matching funds, either at the 50 percent Administrative rate, or the regular FMAP, depending on if the program is service-based.
The LFC tax policy of accountability is not met since TRD is not required in the bill to report annually to an interim legislative committee regarding the data compiled from the reports from recipients of the distribution and other information to determine whether the distribution is meeting its purpose.

ADMINISTRATIVE IMPLICATIONS

TRD notes the following:

> TRD will conduct staff training, update forms, instructions, and publications. TRD will also need to produce communications to impacted taxpayers, including specifications of the proposed changes to tax rates. TRD's Information Technology Division (ITD) estimates that the changes would incur approximately 750 hours or about 5 months of development with contractual hours for a cost of $157,500. TRD's Administrative Services Division (ASD) will have 60 hours of staff workload between 2 full-time equivalent (FTE) staff, with effort related to testing new distributions and reports in the GenTax system. TRD's Revenue Processing Division (RPD) will also devote staff workload to test the new liquor rates and updating forms and instructions.
>
> Should counties began to enact new local liquor excise taxes, additional impacts will be incurred by TRD's divisions. In addition to ITD and ASD impacts to implement local liquor rates and distribution changes, the Office of the Secretary's (OOS) Local Government Liaison and Tax Information Policy Office will see recurring increased staff workload costs to coordinate with local governments on new enactments, regularly update and test tax rates in Gentax, and update local liquor excise tax returns. TRD will need to make targeted outreach to impacted taxpayers.

Changes in administrative support provided by CYFD to service providers will be absorbed by existing resources.

HSD notes the following administrative implications:

> There is no specific appropriation to HSD designated in SB61, however the bill stipulates that HSD would receive a percentage of liquor excise tax net receipts to administer the domestic violence victim's fund. It would require 2 FTE calculated at a 70 pay band and .2 FTE of a supervisor calculated at a 75 pay band. The total funding required for this staff time would be $222,700 for salaries, fringe benefits and operating costs. In addition, this project would require an evaluation budget of approximately $75 thousand. This would allow HSD to provide meaningful data to the LFC and other stakeholders about

the effectiveness of this allocation.

Possible outcomes that could be measured with evaluation include:

- Increased survivor safety over time;
- Reduced incidence of abuse in the community;
- Reduced homicide in the community; and
- Improved quality of life of survivors.

Program Support would also require 1 FTE calculated at a 65 pay band and .25 FTE of a supervisor calculated at a 75 pay band. The total funding required for this staff time would be $130,644 for salaries, fringe benefits, and operating costs to oversee the distribution of these payments, accounting, auditing, and compliance of this appropriation.

Technical Issues

TRD notes the following technical issues:

The entire range of liquor products are receiving a tax increase but by taxing smaller quantities of volume. The liquor excise tax is imposed on the wholesaler who sells the products at the current referenced volumes in statute. Using the current 7-17-5(4), which is the charge on fortified wine as an example, the tax rate is $1.50 per liter. A liter has 33.81 fluid ounces. Extrapolating the new rates to the 1 liter, the rate is now $1.55 per liter. TRD recommends that instead of taxing by the smaller quantities to increase the tax by the current volume measure to allow for a smoother implementation of these tax rates and to be consistent with tax rates and reporting that taxpayers are familiar with. Taxing amounts by ounce adds complexity for the taxpayer and the Department, which is contrary to the tax policy of simplicity.

TRD notes that under current law many new alcoholic products do not meet definitions under the statute therefore it is unclear what rate should be applied to them. For example, premade alcoholic mixed drinks; alcoholic seltzers, and alcoholic mead to do not cleanly fall in the current definitions. TRD suggests defining broader categories that will anticipate the fast variety of alcoholic beverages that become marketable.

Adding all new rates with an effective date for July 1, 2023, does not allow enough time to update changes to forms, instructions, GenTax, the tax system of record, and Taxpayer Access Point (TAP), the taxpayer interface system. It is recommended to add an effective date of January 1, 2024, to properly implement these rate changes.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB61 conflicts with SB220 which distributes a portion of the liquor excise tax to counties for the provision of alcohol and substance abuse prevention and treatment and a portion to a new county alcohol and substance abuse prevention and treatment fund.

SB61 also conflicts with SB259 and HB230 which increases liquor excise tax rates, indexes the rates to inflation, and distributes a portion of the revenue from the tax to a new alcohol harms alleviation fund.

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy**: Revenue should be adequate to fund needed government services.
2. **Efficiency**: Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity**: Different taxpayers should be treated fairly.
4. **Simplicity**: Collection should be simple and easily understood.
5. **Accountability**: Preferences should be easy to monitor and evaluate

Does the bill meet the Legislative Finance Committee tax expenditure policy principles?

1. **Vetted**: The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and general policy parameters.
2. **Targeted**: The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals.
3. **Transparent**: The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies.
4. **Accountable**: The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination of effectiveness and efficiency. The tax expenditure is set to expire unless legislative action is taken to review the tax expenditure and extend the expiration date.
5. **Effective**: The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth – there are indicators the recipients would not have performed the desired actions "but for" the existence of the tax expenditure.
6. **Efficient:** The tax expenditure is the most cost-effective way to achieve the desired results.

LFC Tax Expenditure Policy Principle	Met?	Comments
Vetted	✘	This bill was not vetted through an interim legislative committee.
Targeted		
Clearly stated purpose	✘	No stated purpose.
Long-term goals	✘	No stated long-term goals.
Measurable targets	✘	No measurable targets.
Transparent	?	This bill does not require annual reporting to interim legislative committees.
Accountable		
Public analysis	?	As there are no stated annual targets or goals, there is nothing from which to determine progress, effectiveness, or efficiency.
Expiration date	✘	There is no expiration date.
Effective		
Fulfills stated purpose	?	As there are no stated annual targets or goals, there is nothing

Passes "but for" test	?	from which to determine effectiveness or passing of the "but for" test.
Efficient	✘	No stated desired results.
Key: ✓ Met ✘ Not Met ? Unclear		

JF/al/ne/mg/rl