

**LFC Requester:****Brendon Gray**

**AGENCY BILL ANALYSIS  
2024 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:**

**Analysis.nmlegis.gov**

*{Analysis must be uploaded as a PDF}*

**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

*Check all that apply:*

**Original**     **Amendment**      
**Correction**     **Substitute**   

**Date** January 20, 2024

**Bill No:** SB99

**Sponsor:** Senator Katy Duhigg  
**Short Title:** Remove Incremental Cannabis Tax

**Agency Name and Code Number:** 420-Regulation and Licensing Department

**Person Writing:** Robert Sachs

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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
N/A	N/A	N/A	N/A

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		
N/A	(Indeterminate at this time)	(Indeterminate at this time)	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>	N/A	N/A	N/A	N/A		

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: N/A

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Synopsis: This bill proposes an amendment to Section 3 of the “Cannabis Tax Act”. The proposed language removes the incremental increases in cannabis excise taxes that are set at the following amounts: prior to July 1, 2025, twelve percent (12%); beginning July 1, 2025 and prior to July 1, 2026, thirteen percent (13%); beginning July 1, 2026 and prior to July 1, 2027, fourteen percent (14%); beginning July 1, 2027 and prior to July 1, 2028, fifteen percent (15%); beginning July 1, 2028, and prior to July 1, 2029, sixteen percent (16%); beginning July 1, 2029 and prior July 1, 2030, seventeen percent (17%); and beginning July 1, 2030, eighteen percent (18%).

Instead the bill proposes a flat rate of twelve percent (12%) in perpetuity.

**FISCAL IMPLICATIONS**

All funds to the Cannabis Control Division come through the General Fund. One third of excise taxes are allocated to the state’s General Fund. The decrease in expected tax revenue will affect the total amount of money in the General Fund. Based on adult use sales from December 2023 (\$37,470,309.21) and using the 1% increase in excise tax the state revenue loss would equate to \$370,000 a month. Using that calculation and extrapolating that data for a full year would total a \$4.4 million loss. The proposed change to cannabis tax rates in future years would not directly impact the Regulation and Licensing Department; the proposed changes, if enacted, would result in less tax revenues being received from the New Mexico cannabis industry than are currently anticipated.

**SIGNIFICANT ISSUES**

**PERFORMANCE IMPLICATIONS**

**ADMINISTRATIVE IMPLICATIONS**

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

**TECHNICAL ISSUES**

**OTHER SUBSTANTIVE ISSUES**

## **ALTERNATIVES**

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

The existing incremental excise tax rate will increase over the next 6 years plateauing at 18%. This money will be evenly split between the state, municipalities, and counties.

## **AMENDMENTS**