



Modernizing New Mexico's Approach to Taxing Alcohol

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Current approach



Wholesale tax, by alcohol type and volume:

- Spirits: \$1.60 per liter
- Wine: \$0.45 per liter
- Beer: \$0.41 per gallon

Tax is on the type and volume of alcohol, not on the price.

Tax is paid by distributor when alcohol is sold to retailer. Economic assumption is that these taxes are wrapped into cost paid by consumer; these are not taxes levied per serving of alcohol.

Tax rates are set in statute and have not been updated since 1990s. This is a flat, regressive tax.

Moving forward with strong tax policy



- **Establish an alcohol retail tax, eliminating existing wholesale tax (HB 213, 2024)**
 - Tax to be paid by consumer, on price of alcohol they are purchasing
 - Tax to be paid at the point of final sale: bar, restaurant, gas station, pharmacy etc
- **Single alcohol tax rate of 3%** (Updated from 4/3/2% tier by alcohol type in previous bill)
 - Alcohol tax to be imposed on top of GRT
 - Little demonstrated public health research supporting tiered tax structures
 - Responsive to concerns related to point of sale capacities of independent grocers, gas stations, restaurants, etc, that sell alcohol
- **Alcohol tax would be proportional to the cost, or value, of the product sold**
 - The tax imposed will go up with the price of alcohol sold, making it responsive to inflation and general increases in prices of alcohol over time

Effective tax imposed (by price of alcohol)

Purchase price of alcohol:	\$5	\$10	\$15	\$30	\$60	\$100
Tax imposed, alcohol tax @ 3%	0.15	0.30	0.45	0.90	1.80	3.00
Tax imposed, GRT 8.1875%*	0.41	0.82	1.23	2.46	4.91	8.19
Final tax imposed	0.56	1.12	1.68	3.36	6.71	11.19
Final Price of Good	\$6	\$11	\$17	\$33	\$67	\$111

*City of Santa Fe (January - June 2025)

Using alcohol tax revenue for positive impact



Create an alcohol harms alleviation fund, eliminate Local DWI Grant Fund

- Estimated annual revenue of \$48.5 million (2024 estimates)
 - Sweep \$25 million from the general fund

Fund to be distributed accordingly:

- 10% to Indian nations or counties/municipalities that serve significant Native American populations
- 40% to be distributed to all counties
 - Updated formula that takes into account alcohol-related deaths per county
 - DWI funds to be non-reverting and expanded to include capital projects
- 45% to Health Care Authority for leveraging Medicaid Programs
- 5% to Drug Courts (current recipient)
- \$500,000 a year, for the next 5 years, for research and evaluation of alcohol tax policy