

BILL

50TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2011

INTRODUCED BY

DISCUSSION DRAFT

AN ACT

RELATING TO TOBACCO SALES; INCLUDING CIGARETTE PACKS STAMPED
WITH TAX-CREDIT STAMPS IN THE DEFINITION OF "UNITS SOLD" FOR
DETERMINING ESCROW PAYMENTS DUE PURSUANT TO THE MASTER
SETTLEMENT AGREEMENT; AMENDING THE CIGARETTE TAX ACT REGARDING
TAX-CREDIT STAMPS; DECLARING AN EMERGENCY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 6-4-12 NMSA 1978 (being Laws 1999,
Chapter 208, Section 1, as amended) is amended to read:

"6-4-12. DEFINITIONS.--As used in Sections 6-4-12 [~~and~~
~~6-4-13~~] through 6-4-13.2 NMSA 1978:

A. "adjusted for inflation" means increased in
accordance with the formula for inflation adjustment set forth
in Exhibit C to the Master Settlement Agreement;

B. "affiliate" means a person who directly or

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underscored material = new
[bracketed material] = delete

1 indirectly owns or controls, is owned or controlled by, or is
2 under common ownership or control with, another person. Solely
3 for purposes of this definition, the terms "owns", "is owned"
4 and "ownership" mean ownership of an equity interest, or the
5 equivalent thereof, of ten percent or more, and the term
6 "person" means an individual, partnership, committee,
7 association, corporation or any other organization or group of
8 persons;

9 C. "allocable share" means "Allocable Share" as
10 that term is defined in the Master Settlement Agreement;

11 D. "cigarette" means any product that contains
12 nicotine, is intended to be burned or heated under ordinary
13 conditions of use, and consists of or contains:

14 (1) any roll of tobacco wrapped in paper or in
15 any substance not containing tobacco;

16 (2) tobacco, in any form, that is functional
17 in the product ~~[which]~~ and that, because of its appearance, the
18 type of tobacco used in the filler or its packaging and
19 labeling, is likely to be offered to, or purchased by,
20 consumers as a cigarette; or

21 (3) any roll of tobacco wrapped in any
22 substance containing tobacco ~~[which]~~ that, because of its
23 appearance, the type of tobacco used in the filler or its
24 packaging and labeling, is likely to be offered to, or
25 purchased by, consumers as a cigarette described in Paragraph

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1 (1) of this subsection. The term "cigarette" includes "roll-
2 your-own" (i.e., any tobacco [~~which~~] that, because of its
3 appearance, type, packaging or labeling, is suitable for use
4 and likely to be offered to, or purchased by, consumers as
5 tobacco for making cigarettes). For purposes of this
6 definition of "cigarette", 0.09 ounces of "roll-your-own"
7 tobacco shall constitute one individual "cigarette";

8 E. "Master Settlement Agreement" means the
9 settlement agreement (and related documents) entered into on
10 November 23, 1998 by the state and leading United States
11 tobacco product manufacturers;

12 F. "qualified escrow fund" means an escrow
13 arrangement with a federally or state chartered financial
14 institution having no affiliation with any tobacco product
15 manufacturer and having assets of at least one billion dollars
16 (\$1,000,000,000) where such arrangement requires that such
17 financial institution hold the escrowed funds' principal for
18 the benefit of releasing parties and prohibits the tobacco
19 product manufacturer placing the funds into escrow from using,
20 accessing or directing the use of the funds' principal except
21 as consistent with Subsection B of Section 6-4-13 NMSA 1978;

22 G. "released claims" means "Released Claims" as
23 that term is defined in the Master Settlement Agreement;

24 H. "releasing parties" means "Releasing Parties" as
25 that term is defined in the Master Settlement Agreement;

1 I. "tobacco product manufacturer" means an entity
2 that, after the date of enactment of this act, directly (and
3 not exclusively through any affiliate):

4 (1) manufactures cigarettes anywhere that such
5 manufacturer intends to be sold in the United States, including
6 cigarettes intended to be sold in the United States through an
7 importer (except where such importer is an original
8 participating manufacturer (as that term is defined in the
9 Master Settlement Agreement) that will be responsible for the
10 payments under the Master Settlement Agreement with respect to
11 such cigarettes as a result of the provisions of Subsection
12 II(mm) of the Master Settlement Agreement and that pays the
13 taxes specified in Subsection II(z) of the Master Settlement
14 Agreement, and provided that the manufacturer of such
15 cigarettes does not market or advertise such cigarettes in the
16 United States);

17 (2) is the first purchaser anywhere for resale
18 in the United States of cigarettes manufactured anywhere that
19 the manufacturer does not intend to be sold in the United
20 States; or

21 (3) becomes a successor of an entity described
22 in Paragraph (1) or (2) of this subsection.

23 The term "tobacco product manufacturer" shall not include
24 an affiliate of a tobacco product manufacturer unless such
25 affiliate itself falls within Paragraph (1), (2) or (3) of this

subsection; and

J. "units sold" means the number of individual cigarettes sold in the state by the applicable tobacco product manufacturer (whether directly or through a distributor, retailer or similar intermediary or intermediaries) during the year in question, as measured by ~~[excise taxes collected, ounces of "roll-your-own" tobacco sold and sales of products bearing tax-exempt stamps on packs or "roll-your-own" tobacco containers. The secretary of taxation and revenue shall promulgate such rules as are necessary to ascertain the amount of state excise tax paid on the cigarettes of such tobacco product manufacturer for each year]:~~

(1) the excise tax due from cigarettes sold bearing tax stamps pursuant to the Cigarette Tax Act;

(2) ounces of "roll-your-own" tobacco sold on which the tobacco products tax is due pursuant to the Tobacco Products Tax Act; or

(3) cigarettes sold bearing tax-exempt or tax-credit stamps pursuant to the Cigarette Tax Act."

SECTION 2. A new Section 6-4-13.2 NMSA 1978 is enacted to read:

"6-4-13.2. [NEW MATERIAL] RULES--AMOUNT OF STATE EXCISE TAX PAID ON CIGARETTES OF TOBACCO PRODUCT MANUFACTURER.--The secretary of taxation and revenue shall adopt rules to determine the amount of state excise tax paid on the cigarettes

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1 of a tobacco product manufacturer for each year and on the
2 number of ounces of "roll-your-own" tobacco sold and cigarettes
3 bearing tax-exempt or tax-credit stamps sold for each year."

4 SECTION 3. Section 7-12-5 NMSA 1978 (being Laws 1971,
5 Chapter 77, Section 5, as amended) is amended to read:

6 "7-12-5. AFFIXING STAMPS.--

7 A. Except as provided in Section 7-12-6 NMSA 1978,
8 all cigarettes shall be placed in packages or containers to
9 which a stamp shall be affixed. Only a distributor with a
10 valid license issued pursuant to the Cigarette Tax Act may
11 purchase or obtain unaffixed tax-exempt stamps, tax-credit
12 stamps or tax stamps. A distributor shall not sell or provide
13 unaffixed stamps to another distributor, manufacturer, export
14 warehouse proprietor or importer with a valid permit pursuant
15 to 26 U.S.C. 5713 or any other person.

16 B. Stamps shall be affixed by the distributor to
17 each package of cigarettes to be sold or distributed in New
18 Mexico within thirty days of receipt of those packages.

19 C. A distributor shall apply stamps only to
20 packages of cigarettes that the distributor has received
21 directly from another distributor or from a manufacturer or
22 importer of cigarettes that possesses a valid and current
23 permit pursuant to 26 U.S.C. 5713.

24 D. A distributor shall not affix a tax stamp, a
25 tax-exempt stamp or a tax-credit stamp to a package of

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1 cigarettes of a manufacturer or a brand family that is not
2 included in the directory or sell, offer or possess for sale
3 cigarettes of a manufacturer or brand family that is not
4 included in the directory.

5 E. Packages shall contain cigarettes in lots of
6 five, ten, twenty or twenty-five.

7 F. Unless the requirements of this section are
8 waived pursuant to Section 7-12-6 NMSA 1978, a tax stamp shall
9 be affixed to each package of cigarettes subject to the
10 cigarette tax, a tax-credit stamp shall be affixed to each
11 package of cigarettes subject to a qualifying tribal cigarette
12 tax and a tax-exempt stamp shall be affixed to each package of
13 cigarettes not subject to the cigarette tax pursuant to Section
14 7-12-4 NMSA 1978.

15 ~~[G. A tax-exempt stamp or tax-credit stamp is not~~
16 ~~an excise tax stamp for purposes of determining units sold~~
17 ~~pursuant to Section 6-4-12 NMSA 1978.~~

18 H.] G. Stamps shall be affixed inside the
19 boundaries of New Mexico, unless the department has granted a
20 license allowing a person to affix stamps outside New Mexico."

21 SECTION 4. EMERGENCY.--It is necessary for the public
22 peace, health and safety that this act take effect immediately.