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HOUSE BILL

**55TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2022**

INTRODUCED BY

DISCUSSION DRAFT

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

AN ACT

RELATING TO TAXATION; INCREASING THE RATE OF THE CIGARETTE TAX;  
INCREASING THE RATE OF TAX ON TOBACCO PRODUCTS; INCLUDING  
NICOTINE, REGARDLESS OF SOURCE, IN THE DEFINITION OF "TOBACCO  
PRODUCT" IN THE TOBACCO PRODUCTS TAX ACT.

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

**SECTION 1.** Section 7-1-6.11 NMSA 1978 (being Laws 1983,  
Chapter 211, Section 16, as amended) is amended to read:

"7-1-6.11. DISTRIBUTIONS OF CIGARETTE TAXES.--

A. A distribution pursuant to Section 7-1-6.1 NMSA  
1978 shall be made to the board of regents of the university of  
New Mexico for the benefit of the comprehensive cancer center  
at the university of New Mexico health sciences center in an  
amount equal to [~~seventy-one hundredths~~] four-tenths percent of  
the net receipts, exclusive of penalties and interest,

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1 attributable to the cigarette tax.

2 B. A distribution pursuant to Section 7-1-6.1 NMSA  
3 1978 in an amount equal to [~~seven and fifty-two~~] four and  
4 fifteen hundredths percent of the net receipts, exclusive of  
5 penalties and interest, attributable to the cigarette tax,  
6 shall be made on behalf of and for the benefit of the  
7 university of New Mexico health sciences center for its  
8 comprehensive cancer center, until payment of all principal,  
9 interest and other expenses or obligations related to the bonds  
10 authorized pursuant to Section [~~3 of this 2021 act~~] 6-21-6.15  
11 NMSA 1978 and the New Mexico finance authority certifies to the  
12 secretary of taxation and revenue that all obligations for the  
13 bonds have been fully discharged, to the credit enhancement  
14 account.

15 C. A distribution pursuant to Section 7-1-6.1 NMSA  
16 1978 in an amount equal to [~~three and seventeen~~] one and  
17 seventy-six hundredths percent of the net receipts, exclusive  
18 of penalties and interest, attributable to the cigarette tax  
19 shall be made to the New Mexico finance authority for land  
20 acquisition and the planning, designing, construction and  
21 equipping of department of health facilities or improvements to  
22 such facilities.

23 D. A distribution pursuant to Section 7-1-6.1 NMSA  
24 1978 in an amount equal to [~~eight and twenty-six~~] four and  
25 fifty-five hundredths percent of the net receipts, exclusive of

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1 penalties and interest, attributable to the cigarette tax shall  
2 be made to the New Mexico finance authority for deposit in the  
3 credit enhancement account created in the authority.

4 E. A distribution pursuant to Section 7-1-6.1 NMSA  
5 1978 in an amount equal to [~~fifty-three~~] thirty-one hundredths  
6 percent of the net receipts, exclusive of penalties and  
7 interest, attributable to the cigarette tax shall be made, on  
8 behalf of and for the benefit of the rural county cancer  
9 treatment fund, to the New Mexico finance authority."

10 SECTION 2. Section 7-12-3 NMSA 1978 (being Laws 1971,  
11 Chapter 77, Section 3, as amended) is amended to read:

12 "7-12-3. EXCISE TAX ON CIGARETTES--REDUCTION OF RATE FOR  
13 CERTAIN CIGARETTES.--

14 A. For the privilege of selling, giving or  
15 consuming cigarettes in New Mexico, there is levied an excise  
16 tax at a rate of [~~ten cents (\$ .10)~~] twenty cents (\$.20) for  
17 each cigarette sold, given or consumed in this state.

18 B. The tax imposed by this section shall be  
19 referred to as the "cigarette tax".

20 C. The tax imposed by this section shall be reduced  
21 by fifty percent for a cigarette for which a modified risk  
22 tobacco product order has been issued by the United States  
23 secretary of health and human services pursuant to Section 21  
24 U.S.C. 387k(g)(1).

25 D. The tax imposed by this section shall be reduced

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1 by twenty-five percent for a cigarette for which a modified  
2 risk tobacco product order has been issued by the United States  
3 secretary of health and human services pursuant to Section 21  
4 U.S.C. 387k(g)(2)."

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

7 "7-12-7. SALE OF STAMPS--PRICES.--

8 A. Only the department shall sell stamps. Stamps  
9 may be sold by the department only to a distributor.

10 B. Stamps shall display a serial number. Stamps  
11 bearing the same serial number shall not be sold to more than  
12 one distributor. The department shall keep records of the  
13 serial numbers of the stamps provided to each distributor.

14 C. A stamp shall be affixed to a package of  
15 cigarettes in such a manner as to clearly display the serial  
16 number at the point of sale.

17 D. Tax stamps shall be sold at their face value  
18 with the following discounts:

19 (1) [~~forty-six~~] twenty-three hundredths  
20 percent less than the face value of the first thirty thousand  
21 dollars (\$30,000) of stamps purchased in one calendar month;

22 (2) [~~thirty-six~~] eighteen hundredths percent  
23 less than the face value of the second thirty thousand dollars  
24 (\$30,000) of stamps purchased in one calendar month; and

25 (3) [~~twenty-two~~] eleven hundredths percent

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1 less than the face value of stamps purchased in excess of sixty  
2 thousand dollars (\$60,000) in one calendar month.

3 E. Tax-credit stamps shall be provided only to  
4 distributors and shall be provided free of charge; provided  
5 that the distributor is in full compliance with the reporting  
6 requirements of the Cigarette Tax Act and rules adopted  
7 pursuant to that act.

8 F. If the face value of tax stamps sold in a single  
9 sale is less than one thousand dollars (\$1,000), the discount  
10 provided for in this section shall not be allowed.

11 G. Payment for tax stamps shall be made on or  
12 before the twenty-fifth day of the month following the month in  
13 which the sale of stamps by the department is made.

14 H. Tax-exempt stamps shall be provided only to  
15 distributors and shall be free of charge; provided that the  
16 distributor is in full compliance with the reporting  
17 requirements of the Cigarette Tax Act and rules adopted  
18 pursuant to that act."

19 SECTION 4. Section 7-12A-2 NMSA 1978 (being Laws 1986,  
20 Chapter 112, Section 3, as amended) is amended to read:

21 "7-12A-2. DEFINITIONS.--As used in the Tobacco Products  
22 Tax Act:

23 A. "department" means the taxation and revenue  
24 department, the secretary or any employee of the department  
25 exercising authority lawfully delegated to that employee by the

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1 secretary;

2 B. "cigar" means a roll for smoking made wholly or  
3 in part of tobacco and weighing greater than four and one-half  
4 pounds per thousand;

5 C. "distribute" means to sell or to give;

6 D. "closed system cartridge" means a single-use,  
7 pre-filled disposable cartridge containing five milliliters or  
8 less of e-liquid for use in an e-cigarette;

9 E. "e-cigarette" means any electronic oral device,  
10 whether composed of a heating element and battery or an  
11 electronic circuit, that provides a vapor of nicotine or any  
12 other substance the use or inhalation of which simulates  
13 smoking and includes any such device, or any part thereof,  
14 whether manufactured, distributed, marketed or sold as an  
15 e-cigarette, e-cigar, e-pipe or any other product, name or  
16 descriptor; [~~"E-cigarette" does not include any product  
17 regulated as a drug or device by the United States food and  
18 drug administration under the Federal Food, Drug, and Cosmetic  
19 Act;~~]

20 F. "e-liquid" means liquid or other substance  
21 intended for use in an e-cigarette, not including any substance  
22 containing cannabis or oil derived from cannabis;

23 G. "engaging in business" means carrying on or  
24 causing to be carried on any activity with the purpose of  
25 direct or indirect benefit;

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1           H. "first purchaser" means a person engaging in  
2 business in New Mexico that manufactures tobacco products or  
3 that purchases or receives on consignment tobacco products from  
4 any person outside of New Mexico, which tobacco products are to  
5 be distributed in New Mexico in the ordinary course of  
6 business;

7           I. "little cigar" means a roll for smoking made  
8 wholly or in part of tobacco, using an integrated cellulose  
9 acetate or other similar filter, and weighing not more than  
10 four and one-half pounds per thousand;

11           J. "person" means any individual, estate, trust,  
12 receiver, cooperative association, club, corporation, company,  
13 firm, partnership, joint venture, syndicate, limited liability  
14 company, limited liability partnership, other association or  
15 gas, water or electric utility owned or operated by a county or  
16 municipality or other entity of the state; "person" also means,  
17 to the extent permitted by law, a federal, state or other  
18 governmental unit or subdivision or an agency, department or  
19 instrumentality;

20           K. "product value" means the amount paid, net of  
21 any discounts taken and allowed, for tobacco products or, in  
22 the case of tobacco products received on consignment, the value  
23 of the tobacco products received or, in the case of tobacco  
24 products manufactured and sold in New Mexico, the proceeds from  
25 the sale by the manufacturer of the tobacco products; and

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1 L. "tobacco product":

2 (1) means:

3 [~~(1)~~] (a) any product [~~other than~~  
4 ~~cigarettes, cigars and little cigars~~] made from or containing  
5 tobacco or nicotine, regardless of the source of the nicotine;

6 [~~(2)~~] (b) e-liquid;

7 [~~(3)~~] (c) e-cigarettes; and

8 [~~(4)~~] (d) closed system cartridges; and

9 (2) does not mean cigarettes, cigars, little  
10 cigars or any product regulated as a drug or device by the  
11 United States food and drug administration pursuant to the  
12 Federal Food, Drug, and Cosmetic Act."

13 SECTION 5. Section 7-12A-3 NMSA 1978 (being Laws 1986,  
14 Chapter 112, Section 4, as amended) is amended to read:

15 "7-12A-3. IMPOSITION AND RATES OF TAX--REDUCTION OF RATE  
16 FOR CERTAIN TOBACCO PRODUCTS--DENOMINATION AS "TOBACCO PRODUCTS  
17 TAX"--DATE PAYMENT OF TAX DUE.--

18 A. For the manufacture or acquisition of tobacco  
19 products in New Mexico, not including [~~cigars~~] little cigars,  
20 [~~e-liquid~~] e-cigarettes or closed system cartridges, to be  
21 distributed in the ordinary course of business and for the  
22 consumption of tobacco products in New Mexico, there is imposed  
23 an excise tax at the rate of [~~twenty-five~~] seventy-seven  
24 percent of the product value of the tobacco products.

25 [~~B. For the manufacture or acquisition of cigars in~~



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1 ~~New Mexico to be distributed in the ordinary course of business~~  
2 ~~and for the consumption of cigars in New Mexico, there is~~  
3 ~~imposed an excise tax at a rate equal to twenty-five percent of~~  
4 ~~the product value of the cigar not to exceed fifty cents (\$.50)~~  
5 ~~per cigar.~~

6 G.] B. For the manufacture or acquisition of little  
7 cigars in New Mexico to be distributed in the ordinary course  
8 of business and for the consumption of little cigars in New  
9 Mexico, there is imposed an excise tax at a rate equal to the  
10 rate imposed on cigarettes pursuant to Section 7-12-3 NMSA 1978  
11 per package of little cigars.

12 [~~D.~~ ~~For the manufacture or acquisition of e-liquid~~  
13 ~~in New Mexico to be distributed in the ordinary course of~~  
14 ~~business and for the consumption of e-liquid in New Mexico,~~  
15 ~~there is imposed an excise tax at a rate equal to twelve and~~  
16 ~~one-half percent of the product value of the e-liquid.~~

17 E.] C. For the manufacture or acquisition of closed  
18 system cartridges in New Mexico to be distributed in the  
19 ordinary course of business, there is imposed an excise tax at  
20 a rate of [~~fifty cents (\$.50)~~] three dollars thirty-two cents  
21 (\$3.32) per closed system cartridge.

22 [~~H.~~] D. The taxes imposed by this section may be  
23 referred to as the "tobacco products tax".

24 [~~F.~~] E. The tobacco products tax shall be paid by  
25 the first purchaser on or before the twenty-fifth day of the

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1 month following the month in which the taxable event occurs."

2 SECTION 6. EFFECTIVE DATE.--The effective date of the  
3 provisions of this act is July 1, 2022.

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