

PERSPECTIVES FROM INDUSTRY ON NEW MEXICO LIQUOR EXCISE TAX CHANGES

MAINTAIN COLLECTION AND REMITTANCE OF LIQUOR EXCISE TAX (LET) AT THE WHOLESALE LEVEL

Keeping the current structure in place avoids the potential to create new compliance problems with payments to the state.

Rationale

- i. Current wholesale sellers have systems in place to track and calculate and remit LET amounts due to the state.
- ii. Retail establishments do not have these systems in place, and establishing them for a new, and more complex, process will be an undue burden for businesses, especially small, rural establishments.
- iii. Presently, Taxation and Revenue collects tax proceeds from dozens of wholesalers. Making a change that would require monthly submissions from over 1,400 establishments increases the chances of noncompliance, and grows workloads for monitoring, audits, collections and other administrative tasks.

AN UPDATED LIQUOR EXCISE TAX SHOULD DIRECT ALL FUNDS TO PROGRAMS

Currently, the state budget process diverts a significant portion of LET collections to the state general fund, with the remainder left to fund programs addressing alcohol and drug abuse.

Rationale

- i. Not diverting a portion of the LET proceeds to the general fund would increase resources available to fund programs.
- ii. The General fund, and other state revenues, are currently at record levels, so the timing for establishing a precedent for using all LET funds for programs is well-timed.

THE LEGISLATURE SHOULD SPECIFY THAT LIQUOR EXCISE TAX FUNDS BE USED TO MATCH FEDERAL MEDICAID FUNDS

Using funds from the LET to pay for substance-abuse programs is an important use of these dollars, and using this funding as state match to leverage federal Medicaid funds can increase the funding available to expand programs.

Rationale

- i. Using LET funds to match Medicaid, leveraging each state dollar with three federal dollars. increases funding for programs.
- ii. Increasing the supply of funding will help provide resources to greatly expand programs dealing with substance abuse.

ANY INCREASE IN THE LIQUOR EXCISE TAX SHOULD BE REASONABLE, NOT EXTREME

Many New Mexico businesses, small and large are barely scraping by and are still dealing the effects of the pandemic; including inflation and impacts on supply chains across many industries.

Rationale

- Recent changes to paid time off requirements and potential enactment of a Paid Family Medical Leave requirement will further strain already struggling businesses.
- i. Now is not the time to pass amendments to the LET that include increases of several hundred percent, as we have seen proposed in recent sessions.