

MINNESOTA • REVENUE

LIQUOR EXCISE TAX Low-Alcohol Dairy Cocktails

April 8, 2003

	Yes	No
Separate Official Fiscal Note Requested		
Fiscal Impact		
DOR Administrative Costs/Savings		

Department of Revenue
Analysis of H.F. 78 (Kahn) / S.F. 809 (Higgins)

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
	(000's)			
General Fund	(\$11)	(\$15)	(\$15)	(\$16)

Effective for sales made after June 30, 2003.

EXPLANATION OF THE BILL

Current Law: Current laws provides that distilled spirits, liqueurs, cordials, and specialties regardless of alcohol content be taxed at \$1.33 per liter.

Proposed Law: The proposal creates a new category of distilled spirits with its own tax rate. Low-alcohol dairy cocktails consisting primarily of milk products and containing less than 3.2% alcohol by volume would be subject to an excise tax rate of \$0.02 per liter.

REVENUE ANALYSIS DETAIL

- It is assumed that about 100,000 single-serving containers of low-alcohol dairy cocktails would be sold in Minnesota at a retail price of 99¢ each.
- It is assumed that sales of low-alcohol dairy cocktails will increase 3% annually.
- A slight lag is expected in the first year for distribution set-up time.

Number of Taxpayers Affected: Manufacturers and distributors of low-alcohol dairy cocktails would be affected.

Source: Minnesota Department of Revenue
Tax Research Division
<http://www.taxes.state.mn.us/polic.html#analyses>