ALCOHOLIC BEVERAGE EXCISE TAX
Rate Increases

March 9, 2007

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 779 (Murphy) / H.F. 1050 (Paymar) – Sections 10 through 15 Only

	Fund Impact			
	F.Y. 2008	**F.Y. 2009**	**F.Y. 2010**	**F.Y. 2011**
		(000's)		
Net Impact of Excise Tax Rate Increase*	$122,413	$136,057	$138,682	$141,299
Sales Tax on Alcoholic Beverages	$5,978	$6,631	$6,746	$6,860
Appropriation to Corrections	($36,724)	($40,817)	($41,605)	($42,390)
Appropriation to Human Services / Health	($85,689)	($95,240)	($97,077)	($98,909)
General Fund Net Impact	$5,978	$6,631	$6,746	$6,860

* Includes adjustments for refunds, small brewers credit, and miniatures

Assumed to be effective for taxes imposed after June 30, 2007.

EXPLANATION OF THE BILL

The bill would increase the excise tax on beer, wine, and spirits (see chart). A county alcohol and chemical dependency costs account is created in the general fund. The funds from the alcoholic beverages excise tax rate increases are deposited in this new fund, with 30% annually appropriated to the Commissioner of Corrections, and 70% appropriated to the Commissioners of Human Services and Health.

Summary of Excise Tax Rate Changes:

	Current	Proposed
3.2 Beer (per 31-gallon barrel)	$2.40	$18.86
Regular Beer (per 31-gallon barrel)	$4.60	$21.06
Cider (per liter)	$.04	$.32
Regular Wine (per liter)	$.08	$.36
Strong Wine (per liter)	$.25	$.53
Sparkling Wine (per liter)	$.48	$.76
Spirits (per liter)	$1.33	$3.03

Also, the small brewer's tax credit on 25,000 barrels per fiscal year is increased from $4.60 to $21.06 per barrel, with no change in the maximum credit of $115,000. The tax on miniatures is increased from 14 cents per bottle to 19 cents per bottle. The tax on low alcohol dairy cocktails would remain the same.

REVENUE ANALYSIS DETAIL

- Baseline revenues are the February 2007 forecast for the alcohol beverage excise taxes.
- Minnesota excise tax collection information provides quantities sold for each beverage type.
- The 2.5% gross receipts tax on alcoholic beverages is reported separately. Minnesota retail sales of alcoholic beverages are derived from the forecast of the gross receipts tax on alcoholic beverages.
- Retail sales by type are based on national retail sales information for beer, wine, and spirits.
- Elasticity factors were used as follows: -0.278 for beer, -0.680 for wine, and -0.571 for spirits. New sales and excise tax revenue amounts were calculated using price and quantity information resulting from the proposed additional excise tax rates.
- Indian alcohol tax refunds are assumed to grow at a proportional rate to the proposed additional tax.
- Because this law becomes effective after June 30, 2007, 11 months of collections of the additional alcohol excise tax would be realized in fiscal year 2008.
- The credit to small brewers impacts approximately 130,000 barrels annually.

Number of Taxpayers: 146 distributors of beer and 71 distributors of wine and distilled spirits.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

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