

MINNESOTA • REVENUE

ALCOHOL EXCISE TAXES Alcohol Health Impact Fee

March 16, 2010

Department of Revenue
Analysis of H.F. 3296 (Wagenius) / S.F. 3179 (Dibble)

	Yes	No
DOR Administrative Costs/Savings	X	

	Fund Impact			
	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>	<u>F.Y. 2012</u>	<u>F.Y. 2013</u>
	(000's)			
Alcoholic Beverage Excise Taxes	\$0	(\$3,000)	(\$3,300)	(\$3,300)
Sales Tax (6.5%)	\$0	\$4,700	\$5,200	\$5,300
Gross Receipts Tax (2.5%)	<u>\$0</u>	<u>\$1,800</u>	<u>\$2,000</u>	<u>\$2,000</u>
General Fund Total	\$0	\$3,500	\$3,900	\$4,000
Natural Resources and Arts Funds (0.375%)	\$0	\$270	\$300	\$300
Alcohol Use Health and Safety Impact Fee				
Alcohol Use Health and Safety Impact Fund	\$0	\$134,000	\$149,000	\$152,000
Total – All Funds	\$0	\$137,770	\$153,200	\$156,300

Effective July 1, 2010.

EXPLANATION OF THE BILL

The bill would impose an alcohol use health impact fee on beer, wine, and spirits (see chart). The revenue from the new fee would be deposited in a newly-created Alcohol Use Health and Safety Impact Fund. The small brewers' credit and the excise tax on low alcohol dairy cocktails remain unchanged.

	<u>Current Excise Tax</u>	<u>Proposed Additional Fee</u>
3.2 Beer (per 31-gallon barrel)	\$2.40	\$19.84
Regular Beer (per 31-gallon barrel)	\$4.60	\$19.84
Cider (per liter)	\$.04	\$.41
Regular Wine (per liter)	\$.08	\$.41
Strong Wine (per liter)	\$.25	\$.41
Sparkling Wine (per liter)	\$.48	\$.41
Spirits (per liter)	\$1.33	\$1.35

REVENUE ANALYSIS DETAIL

- Baseline revenues are the February 2010 forecast for the alcohol beverage excise taxes and the liquor gross receipts tax.
- Minnesota excise tax collection information provides data on quantities sold for each beverage type.

REVENUE ANALYSIS DETAIL (Cont.)

- 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. The revenue amounts were calculated using price and quantity information resulting from the proposed increase in the fees on alcoholic beverages.
- The proposal would also affect the general fund. The alcoholic beverage excise tax revenues would decrease due to a decrease in consumption. The 6.5% sales tax and the 2.5% liquor gross receipts tax would increase because retail prices would increase due to the new fee; total retail sales would increase even though there is a decrease in consumption.
- This estimate assumes that all barrels currently exempt under the small brewers' credit will be subject to the new fee. Approximately 120,000 barrels currently qualify for the small brewers' credit.
- Due to the effective date, fiscal year 2011 is adjusted for 11 months of collections.

Number of Taxpayers: There are approximately 147 distributors of beer and 80 distributors of wine and distilled spirits that would be subject to the liquor fee.

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