

MINNESOTA • REVENUE

ALCOHOLIC BEVERAGE TAXES Increase Tax Rates Create Impact Fund

February 27, 2013

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue

Analysis of H.F. 885 (Clark) As Proposed To Be Amended (H0885A1)

	Fund Impact			
	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>
	(000's)			
Sales Tax (6.5%)	\$5,400	\$6,000	\$6,200	\$6,300
Liquor Gross Receipts (2.5%)	<u>\$2,100</u>	<u>\$2,300</u>	<u>\$2,400</u>	<u>\$2,400</u>
General Fund Total	\$7,500	\$8,300	\$8,600	\$8,700
Natural Resources and Arts Funds (0.375%)	\$300	\$350	\$360	\$360
Alcohol Tax Increase	<u>\$186,700</u>	<u>\$207,800</u>	<u>\$212,200</u>	<u>\$216,700</u>
Alcohol Health and Judicial Impact Fund	\$186,700	\$207,800	\$212,200	\$216,700
Total – All Funds	\$194,500	\$216,450	\$221,160	\$225,760

Effective July 1, 2013.

EXPLANATION OF THE BILL

As proposed to be amended, the bill would increase the excise taxes on beer, wine, and spirits.

The tax rates would be changed as follows:

	<u>Current</u>	<u>Proposed</u>
3.2 Beer (per 31-gallon barrel)	\$2.40	\$13.97
Strong Beer (per 31-gallon barrel)	\$4.60	\$16.17
Cider (per liter)	\$.04	\$.14
Regular Wine (per liter)	\$.08	\$.69
Strong Wine (per liter)	\$.25	\$.69
Sparkling Wine (per liter)	\$.48	\$.69
Distilled Spirits (per liter)	\$1.33	\$4.71

The small brewers' tax credit on 25,000 barrels per fiscal year is increased from \$4.60 to \$16.17 per barrel, with the maximum credit increased from \$115,000 to \$404,250.

The bill creates the Alcohol Health and Judicial Impact Fund. The increase in collections from alcohol taxes must be deposited into this fund. The bill also has several appropriations from the new fund to the Commissioner of Public Safety. The amendment changes how the transfer from the new fund to the General Fund is calculated and adds an additional appropriation.

REVENUE ANALYSIS DETAIL

- Baseline revenues are the November 2012 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 increase in excise tax rates.
- Indian alcohol tax refunds are assumed to grow at a proportional rate to the proposed additional tax.
- Because this change would become effective July 1, 2013, eleven months of collections of the additional revenue would be realized in fiscal year 2014.

Source: Minnesota Department of Revenue
Tax Research Division
[www.revenue.state.mn.us/research_stats/Pages/
Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)