ALCOHOLIC BEVERAGE TAXES
Increase Tax Rates; Small Winery Credit; Create Impact Fund

March 4, 2013

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 885 (Clark) As Amended by the House Tax Committee (H0885A1, H0885A2)
Estimates Revised for February 2013 Forecast

	Fund Impact			
	F.Y. 2014	**F.Y. 2015**	**F.Y. 2016**	**F.Y. 2017**
	(000's)			
Sales Tax (6.5%)	$5,700	$6,300	$6,400	$6,600
Liquor Gross Receipts (2.5%)	$2,200	$2,400	$2,500	$2,600
Small Winery Credit	($320)	($320)	($320)	($320)
General Fund Total	$7,580	$8,380	$8,580	$8,880
Natural Resources and Arts Funds (0.375%)	$330	$360	$370	$380
Alcohol Tax Increase	$196,500	$219,100	$224,100	$229,200
Alcohol Health and Judicial Impact Fund	$196,500	$219,100	$224,100	$229,200
Total – All Funds	$204,410	$227,840	$233,050	$238,460

Effective July 1, 2013.

EXPLANATION OF THE BILL

As amended, the bill would increase the excise taxes on beer, wine, and spirits. The tax rates would be changed as follows:

	Current	Proposed
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, as amended, creates a small winery credit. A winery that produces less than 400,000 liters of wine in the previous calendar year would be eligible for a credit of $.69 per liter on 100,000 sold in any fiscal year. The credit may not exceed the liability for tax or $69,000.

EXPLANATION OF THE BILL (Cont.)

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 February 2013 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.
- Minnesota Wineries reported approximately 470,000 liters as taxable in calendar year 2012. No Minnesota winery currently produces more than 400,000 liters or has sales of more than 100,000 liters.
- 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.

Number of Taxpayers: Approximately 50 wineries would be impacted by the small winery credit.

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

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