

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 27** HLS 161ES 64  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> February 24, 2016 9:59 AM	<b>Author:</b> COX
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Alcoholic Beverage Taxes	

TAX/ALCOHOLIC BEVERAGE EG +\$27,700,000 GF RV See Note Page 1 of 1  
 Increases the excise tax levied on certain alcoholic beverages (Item #20)

Current law imposes the following tax rates on alcoholic beverages: liquors at 66¢/liter, sparkling wines and wines of more than 24% alcohol by volume at 42¢/liter, low alcohol (up to 14% by volume) still wines at 3¢/liter, high alcohol (more than 14% by volume) still wines at 6¢/liter, and malt beverages and low alcohol content beverages (beer) at \$10 per 31-gallon barrel.

Proposed law increases these tax rates by the following amounts: liquors 25¢/liter, sparkling wines and wines of more than 24% alcohol by volume 19¢/liter, low alcohol (up to 14% by volume) still wines 22¢/liter, high alcohol (more than 14% by volume) still wines 47¢/liter, and malt beverages and low alcohol content beverages (beer) \$3.33 per 31-gallon barrel. Total new tax rates are 91¢/liter for liquors, 61¢/liter sparkling, 25¢/liter low wine, 53¢/liter high wine, and \$13.33/bbl beer. Applicable to purchases on and after April 1, 2016, and also applicable to inventories on hand. Effective upon governor's signature.

<b>EXPENDITURES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$27,700,000	\$28,000,000	\$28,200,000	\$28,500,000	\$28,700,000	<b>\$141,100,000</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$27,700,000</b>	<b>\$28,000,000</b>	<b>\$28,200,000</b>	<b>\$28,500,000</b>	<b>\$28,700,000</b>	<b>\$141,100,000</b>

**EXPENDITURE EXPLANATION**

The Department of Revenue will experience additional programming costs to adjust tax collections systems to the new rates in this bill, and to handle taxpayer inquiries/education as well as process inventory filings prior to May 1, 2016. These types of costs are typically several thousands or even tens of thousands of dollars worth of staff time, although an estimate of those costs has not yet been received from the Department.

**REVENUE EXPLANATION**

The bill raises various tax rates imposed on alcoholic beverage products, and is expected to generate some \$27.7 million of additional revenue in FY17.

The rate increases proposed by the bill were applied to numbers of units of each product over the last five years to arrive at an estimate of the annual amount of additional tax receipts to expect. The liquor and wine component is expected to be approximately \$17 million of the total FY17 revenue increase. Based on final REC revenue collections, consumption of these products has been trending upward. For purposes of this fiscal note, this positive trend is moderated but still kept positive after the tax increase of this bill. The beer component is expected to be make up nearly \$10.7 million of the total FY17 revenue increase. Based on final REC revenue collections, consumption of these products has been mildly trending downward. For purposes of this fiscal note, the rate of this downward trend is expected to continue after the tax increase of this bill.

The bill is applicable to purchases from April 1, 2016. Thus, FY16 revenue is affected. Transactions in April - June tend to be fairly average for liquor and wine products, and above average (but not peak) for beer products. For purposes of this fiscal note, annual average monthly sales for both product groups are utilized to estimate FY16 receipts of \$6.7 million (\$4 million liquor & wine and \$2.7 million beer).

Finally, the bill is applicable to inventories on hand. Assuming only one month of such stocks, an additional \$2.3 million would be collected in FY16. Total FY16 receipts are expected to be approximately \$9 million.

Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

**John D. Carpenter**  
**Legislative Fiscal Officer**