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Information Brief

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Alcoholic Beverage Excise Taxes

Minnesota Compared With Other States

All states impose special alcoholic beverage excise taxes (or the economic equivalent through mark-ups at state monopoly stores). Minnesota's excise tax rates on table wine and beer are well below the average state tax rate. The Minnesota excise tax on sparkling wine (champagne) is the fifth highest in the nation. The Minnesota liquor excise tax rate is the seventh highest tax rate among states that allow private sale of liquor. However, 18 states have state liquor monopolies and the implicit tax rate (through monopoly mark-ups) that many of these states charge probably equal or exceed Minnesota's tax rate. Overall, Minnesota's liquor tax rate is probably about average.

The Minnesota tax rates are roughly comparable with the tax rates imposed by contiguous states, although Wisconsin's tax rates are significantly lower for all types of beverages.

Minnesota's tax rate on beer and table wine is well below the average rate imposed by other states.

State excise tax rates imposed on strong beer range from a high of 89 cents per gallon (8.3 cents per 12 ounce container) in Hawaii to a low of 4 cents per gallon (0.4 cents per 12 ounce container) in California. Minnesota imposes a tax equal to 15 cents per gallon (1.4 cents per 12 ounce container). Thirty-two states impose higher taxes on strong beer than Minnesota does.

Thirty-seven states and the District of Columbia impose higher wine taxes than Minnesota. The tax rates range from a high of $2.25 per gallon (Florida) to a low of 1 cent per gallon (California). Nine states have taxes that exceed $1 per gallon and twenty-eight states have taxes at or above 50 cents per gallon. At 30 cents Minnesota's tax is well below average.

Minnesota's excise tax on sparkling wine is the fifth highest in the nation.

Unlike the taxes on beer and table wine, the Minnesota excise tax on sparkling wine (or champagne) is well above average at $1.82 per gallon. State excise taxes on sparkling wine range from a high of $4.50 per gallon in Florida to a low of 17 cents in Utah. The median state tax rate on sparkling wine is 77 cents per gallon. However, twelve states do have taxes of $1.50 per gallon or more.

The Minnesota excise tax on liquor ranks high nationally among states without liquor monopolies, but is average when the implicit tax imposed by states with liquor monopolies is included.

The Minnesota excise tax on liquor is the seventh highest in the nation at $5.03 per gallon. State liquor excise tax rates range from $6.50 per gallon (Florida) to $1.50 (Maryland).

Eighteen states do not impose excise taxes on distilled spirits. Rather, these states have a state liquor monopoly, selling liquor only through state owned stores. These stores, by charging monopoly price mark-ups, effectively impose an implicit liquor tax on consumers.

It is difficult to compare the relative amount of these implicit or mark-up taxes with the excise tax rates in states permitting private sales. The states report mark-ups, usually expressed as a percentage of price, but the base of their calculation differs from state to state. The implicit taxes charged by monopoly states probably fall at the high end of the range of excise taxes. Given this, Minnesota's excise tax is likely more in line with average state liquor taxes.

Minnesota's additional 2.5 percent sales tax increases the effective tax rate on purchasers of alcoholic beverages. If this tax were included, Minnesota's rankings would rise.

In addition to the per unit excise taxes, Minnesota imposes a special 2.5 percent retail sales tax on both on-sale and off-sale purchases of alcoholic beverages. This tax raises revenue equal to about 45 percent of the alcohol excise taxes. If this tax were repealed and the excise tax rates raised proportionately to make up the lost revenue, Minnesota's tax on table wine and beer would be average, rather than below average and its tax on liquor and champagne would be among the highest in the nation (with the possible exception of state liquor monopoly states).

However, it should be noted that other states impose a variety of special taxes on alcoholic beverages. These taxes take a variety of forms, including special taxes in lieu of the retail sales tax, additional per unit taxes, per bottle taxes, and taxes on on-sale drinks.

Minnesota's alcoholic beverage tax rates are comparable to its neighboring states. Although Wisconsin's taxes are consistently lower, Iowa, South Dakota and North Dakota generally impose comparable or higher taxes.

The tax rates in the neighboring states are, perhaps, of greater concern than overall national averages. Alcoholic beverages, particularly liquor, are easily transportable. Individual consumers (or organized bootleggers) may be willing to travel to neighboring states to purchase alcoholic beverages, if the distance is short and there is a significant tax (net price) differential.

Minnesota's excise tax rates generally are in line with its neighboring states. Wisconsin consistently imposes lower rates across all beverage types. Minnesota's rates on beer and wine are lower than the rates imposed by Iowa, North Dakota, and South Dakota, while Minnesota's liquor tax rate is higher.

Beer

Minnesota's neighboring states' excise tax rates on beer are roughly comparable to Minnesota's 15 cent tax rate. Two states, South Dakota and Iowa, impose significantly higher taxes of 27 and 19 cents respectively. North Dakota's tax is essentially comparable at 16 cents, while Wisconsin's tax is significantly lower at 6 cents.

Table Wine

Minnesota imposes a 30 cent per gallon tax. All of the contiguous states, except Wisconsin, impose substantially higher taxes (Iowa, $1.75; South Dakota, $.93, and North Dakota, $.50). Wisconsin's tax is slightly lower at 25 cents per gallon.

Sparkling Wine

The Minnesota tax on sparkling wine is high relative to most other states. However, the neighboring states, except Wisconsin, also impose relatively high excise taxes on champagne. South Dakota's tax is higher (the third highest in the nation) at $2.07 per gallon. Iowa's tax is slightly lower at $1.75, while North Dakota's rate is $1. The Wisconsin tax is 25 cents per gallon, the same as its tax on table wine.

Liquor

Minnesota's excise tax rates on liquor are higher than any of the surrounding states permitting private sales. Minnesota's $5.03 per gallon rate is twice as high as North Dakota's tax ($2.50), over 50 percent higher than Wisconsin's ($3.25), and 30 percent higher than South Dakota's ($3.93). Iowa has a state liquor monopoly with a 50 percent mark-up on distilled spirits. It is likely that the implicit Iowa tax is, at least, equal to Minnesota's tax.

Special Taxes

North and South Dakota both impose additional special taxes on alcoholic beverages. North Dakota imposes a 2 percent special alcohol sales tax. South Dakota imposes a 2 percent wholesale tax on all alcoholic beverages, except beer. These taxes are comparable to Minnesota's 2.5 percent special sales tax.

All States Chart

The following chart summarizes the excise tax rates of the 50 states and the District of Columbia.

State Alcohol Beverage Excise Tax Rates								
State	Strong Beer	Rank	Table Wine	Rank	Champagne	Rank	Liquor	Rank
Alabama	$.53	3	$1.70	3	$1.70	7	M	NA
Alaska	.35	10	.85	14	.85	23	$5.60	4
Arizona	.16	29	.84	15	.84	24	3.00	17
Arkansas	.24	17	.75	18	.75	27	2.50	21
California	.04	51	.01	49	.30	43	2.00	28
Colorado	.08	45	.27	41	.27	46	2.28	26
Connecticut	.20	20	.60	23	1.50	11	4.50	8
D.C.	.09	41	.40	33	.45	38	1.50	32
Delaware	.16	31	.97	10	.97	19	5.46	6
Florida	.48	5	2.25	1	4.50	1	6.50	1
Georgia	.48	6	1.52	4	1.52	9	3.79	14
Hawaii	.89	1	1.30	6	2.00	4	5.75	3
Idaho	.15	32	.45	32	.45	39	M	NA
Illinois	.07	48	.23	44	.23	48	2.00	29
Indiana	.12	37	.47	31	.47	37	2.68	20
Iowa	.19	23	1.75	2	1.75	6	M	NA
Kansas	.18	26	.30	38	.30	44	2.50	22
Kentucky	.08	46	.50	28	.50	35	1.92	31
Louisiana	.32	13	.11	48	1.59	8	2.50	23
Maine	.35	11	.60	24	1.24	13	M	NA
Maryland	.09	42	.40	34	.40	40	1.50	33
Massachusetts	.11	38	.70	21	.70	30	4.05	10
Michigan	.20	21	.51	27	.51	34	M	NA
Minnesota	**.15**	**33**	**.30**	**39**	**1.82**	**5**	**5.03**	**7**
Mississippi	.43	7	.35	37	1.00	16	M	NA
Missouri	.06	49	.36	36	.36	42	2.00	30
Montana	.14	34	1.06	8	1.06	15	M	NA
Nebraska	.23	18	.75	19	.75	28	3.00	18
Nevada	.09	43	.40	35	.40	41	2.05	27
New Hampshire	.35	12	M	NA	M	NA	M	NA

State Alcohol Beverage Excise Tax Rates (Cont.)								
State	Strong Beer	Rank	Table Wine	Rank	Champagne	Rank	Liquor	Rank
New Jersey	.10	39	.50	29	.50	36	4.20	9
New Mexico	.18	27	.95	11	.95	20	3.94	12
New York	.21	19	.18	46	.94	21	6.44	2
North Carolina	.53	4	.80	16	.80	25	M	NA
North Dakota	.16	30	.50	30	1.00	17	2.50	24
Ohio	.19	22	.26	42	1.27	12	M	NA
Oklahoma	.40	8	.72	20	2.08	2	5.56	5
Oregon	.08	44	.67	22	.67	31	M	NA
Pennsylvania	.08	47	M	NA	M	NA	M	NA
Rhode Island	.10	40	.60	25	.75	29	3.75	15
South Carolina	.77	2	.90	13	.90	22	2.72	19
South Dakota	.27	15	.93	12	2.07	3	3.93	13
Tennessee	.13	36	1.10	7	1.10	14	4.00	11
Texas	.19	24	.20	45	.52	33	2.40	25
Utah	.36	9	.17	47	.17	49	M	NA
Vermont	.27	16	.55	26	.55	32	M	NA
Virginia	.28	14	1.51	5	1.51	10	M	NA
Washington	.14	35	.77	17	.77	26	M	NA
West Virginia	.18	28	1.00	9	1.00	18	M	NA
Wisconsin	.06	50	.25	43	.25	47	3.25	16
Wyoming	.19	25	.28	40	.28	45	M	NA

Source: ACIR, Significant Features of Fiscal Federalism, vol. 2 (1990); NCSL, State Budget and Tax Actions 1990 (Sept. 1990).

Notes:

M = Sale through state monopoly.

NA = Rank cannot be determined because beverage is sold only through state monopoly.

The following beer taxes do not reflect additional local taxes: AL, GA, and ND.

The following states impose lower beer taxes on draft beer: GA, HA, and NC. The chart reflects the tax on 12 ounce containers.

Some states impose differential liquor rates based on alcohol content: CA, DE, FA, IL, IN, MA, NV, NY, and ND. The rate in the chart is for 80 proof liquor.

Georgia imposes a local tax rate on distilled spirits.

Several states impose additional enforcement taxes, allow prepayment discounts, etc. that are not reflected in the chart.