Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 606 (Senator Young)
Budget and Taxation

Alcoholic Beverages Tax - Supplementary Appropriation - Alcohol and Drug Abuse Administration

This bill doubles the alcoholic beverage excise tax rates for beer, wine, and distilled spirits in Maryland. In addition, the bill provides a one-year supplemental budget appropriation of $23 million to the Department of Health and Mental Hygiene (DHMH) in fiscal 1997 for addictions treatment services.

The bill is effective July 1, 1996.

Fiscal Summary

State Effect: General fund revenues would increase by $23.8 million in FY 1997. Future year increases reflect a projected decline in consumption of distilled spirits. General fund expenditures would increase by $23 million in FY 1997 only.

(in millions)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	$23.8	$21.5	$21.2	$21.0	$20.7
GF Expenditures	23.0	0.0	0.0	0.0	0.0
Net Effect	$0.8	$21.5	$21.2	$21.0	$20.7

Note: ( ) - decrease; GF - general funds

Local Effect: None.

Fiscal Analysis

State Revenues: This bill would raise the beer excise tax from 9 cents to 18 cents per gallon, the wine tax from 40 to 80 cents per gallon, and the distilled spirits tax from $1.50 to $3.00 per gallon. General fund revenues would increase by $23.8 million in fiscal 1997 based on the following facts and assumptions:

- Approximately 99.3 million gallons of beer will be purchased in Maryland in fiscal 1996. Due to the tax increase, sales could decrease by .04% in fiscal 1997 and remain constant in future years. The increased beer tax would also lead to a one-time $2 million prepayment of tax in fiscal 1997.
- Approximately 8.8 million gallons of wine will be purchased in Maryland in fiscal 1996. Due to the tax increase, sales could decrease by 1.73% in fiscal 1997 and remain constant in future years.

- Approximately 7.1 million gallons of distilled spirits will be purchased in Maryland in fiscal 1996. Due to the tax increase, sales could decrease by 6.77% in fiscal 1997. In future years, sales are expected to decrease by 3% annually.

State Expenditures: The bill requires that $23 million of the revenues generated from the tax increases be appropriated to DHMH for addiction treatment services. Since the bill does not specify for what purposes the additional revenues would be used in future years, it is assumed that the revenues would be subject to the normal budgetary process beginning in fiscal 1998. DHMH advises that the funds likely would be allocated as follows:

Non-Hospital Detox	$ 3,000,000
Methadone Maintenance	3,000,000
Intensive Outpatient	2,500,000
Adolescent Group Homes	3,000,000
Prevention	2,000,000
Transitional Living Component	3,000,000
Treatment in Detention Centers, Local Jails, and Prisons for Female and Male Offenders	2,975,000
Southern Maryland:	
Adult Intensive Care Facility	625,000
Center for Addiction and Pregnancy	650,000
Program Vendor Enhancements	2,000,000
Administration	250,000
TOTAL	$23,000,000

Information Source(s): Office of the Comptroller (Alcohol and Tobacco Tax Unit), Department of Health and Mental Hygiene, Department of Fiscal Services

Fiscal Note History:	First Reader - February 14, 1996	
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Analysis by:	Lisa Kleinschmidt	Direct Inquiries to:
Reviewed by:	John Rixey	John Rixey, Coordinating Analyst
		(410) 841-3710
		(301) 858-3710