

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

House Bill 435 (Delegates Fulton and Marriott)

Ways and Means

Alcoholic Beverage Tax - Substance Abuse Programs - Funding

This bill increases the alcoholic beverage tax. The bill increases the tax on: distilled spirits by 117%; wine by 82%; and beer by 100%. The Comptroller of the Treasury is required to distribute 100% of the tax revenues generated from the tax increase to the Alcohol and Drug Abuse Administration to fund substance abuse programs.

Fiscal Summary

State Effect: General fund revenues and expenditures could increase up to \$19.2 million in FY 2000. Future year estimates reflect changes in consumption. Expenditures would not be affected.

(\$ in millions)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	\$19.2	\$25.9	\$26.4	\$26.8	\$27.1
GF Expenditures	\$19.2	\$25.9	\$26.4	\$26.8	\$27.1
Net Effect	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Potential minimal.

Fiscal Analysis

Background: Currently, Maryland's liquor (distilled spirits) excise tax is \$1.50 per gallon on 100 proof or less. This tax rate has not been changed since 1955 when it was increased from \$1.25 per gallon. The State's beer excise tax rate is currently \$.09 per gallon which was last increased in 1972 from \$.03 per gallon. Also in 1972, Maryland's wine excise tax rate was increased to the current rate of \$.40 per gallon.

State Effect: This bill increases the tax on: distilled spirits from \$1.50 per gallon to \$3.25 per gallon, wine from \$.40 per gallon to \$.73 per gallon, and beer from \$.09 per gallon to \$.18 per gallon.

General fund revenues could increase by \$19.2 million in fiscal 2000 (reflects October 1, 1999 effective date) based on the assumption that the price increase for distilled spirits, wine, and beer will have an insignificant impact on consumption and cross-border sales. Future year estimates reflect annual growth of .68% in distilled spirits sales, 3.44% annual growth in wine sales, and 1.79% annual growth in beer sales.

These revenue estimates will be lower to the extent the bill increases cross-border sales and decreases consumption. The Department of Legislative Services does not have any information on which to base an estimate of these likely effects. It is assumed that these funds will be spent in the fiscal year in which the revenue increase is received.

Information Source(s): Comptroller of the Treasury (Bureau of Revenues Estimates), Department of Legislative Services, Department of Health and Mental Hygiene (Alcohol and Drug Abuse Administration)

Fiscal Note History: First Reader - March 3, 1999

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