

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Fiscal Note

BILL NUMBER: House Bill 992 (First Edition)

SHORT TITLE: Increase the Excise Tax on Malt Beverages.

SPONSOR(S): Representative Starnes

FISCAL IMPACT (\$millions)					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
REVENUES:					
General Fund	1.3	1.4	1.5	1.5	1.5
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:	NC Department of Revenue				
EFFECTIVE DATE:	Becomes effective when law.				

BILL SUMMARY: This bill increases the excise tax on malt beverages based on the alcohol content by volume of the beverage. For beverages that have alcohol content not more than 6%, the rate would remain the same (53.177 cents per gallon). For those with content above 6% and up to 16%, the tax is 79.485 cents per gallon. For those with alcohol content above 16%, the tax is 90.84 cents per gallon. The new rates would only be effective if the definition of malt beverage under GS 105-113.68(7) is amended to include a malt beverage with an alcohol content above 6%.

Source: *Bill Digest H.B. 992 (03/30/0200)*

ASSUMPTIONS AND METHODOLOGY:

According to industry estimates, the craft beer market for higher alcohol beers comprises approximately 3% of the beer market nationally and most fall below 16% in alcohol content. This analysis assumes that sales of beer with alcohol content above 16% would generate a marginal amount of revenue. Therefore, the revenue estimates are based on the tax rate for alcohol content between 6% and 16%. This analysis also assumes that consumption of craft beers would supplant existing consumption such that overall beer consumption in North Carolina would remain constant.

Using the FRD forecast as the base, revenue for the increased excise tax rate is computed by applying the proposed tax rate increase to the projected consumption for high alcohol content beer. The estimate is based on 11 months of revenue during FY 2005-06 due to the July 1, 2005 effective date and a 30-day lag in collections that pushes one month's collection into the next fiscal year.

In addition, all beer purchases would be subject to the 6.5% state and local sales tax (7% Mecklenburg) that would be in effect July 1, 2005. This fiscal note assumes the increased excise tax on beer will be added to the shelf price and will result in increased state and local sales tax receipts. The state portion of sales tax is included in the estimates above.

SOURCES OF DATA: NC Department of Revenue; Brewers Association

TECHNICAL CONSIDERATIONS: None

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