

### Fiscal Estimate - 2009 Session

Original       Updated       Corrected       Supplemental

**LRB Number 09-0905/1**      **Introduction Number AB-0287**

**Description**  
Increasing the tax on fermented malt beverages to fund law enforcement grants and alcohol and drug abuse treatment and prevention programs, granting rule-making authority, and making appropriations

**Fiscal Effect**

**State:**  
 No State Fiscal Effect  
 Indeterminate  
 Increase Existing Appropriations       Increase Existing Revenues       Increase Costs - May be possible to absorb within agency's budget  
 Decrease Existing Appropriations       Decrease Existing Revenues       Yes       No  
 Create New Appropriations       Decrease Costs

**Local:**  
 No Local Government Costs  
 Indeterminate  
1.  Increase Costs      3.  Increase Revenue      5. Types of Local Government Units Affected  
 Permissive  Mandatory       Permissive  Mandatory       Towns       Village       Cities  
2.  Decrease Costs      4.  Decrease Revenue       Counties       Others  
 Permissive  Mandatory       Permissive  Mandatory       School Districts       WTCS Districts

**Fund Sources Affected**      **Affected Ch. 20 Appropriations**  
 GPR     FED     PRO     PRS     SEG     SEGS

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## Fiscal Estimate Narratives

DOR 6/22/2009

LRB Number	09-0905/1	Introduction Number	AB-0287	Estimate Type	Original
<b>Description</b> Increasing the tax on fermented malt beverages to fund law enforcement grants and alcohol and drug abuse treatment and prevention programs, granting rule-making authority, and making appropriations					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, fermented malt beverages are taxed at the rate of \$2.00 per 31-gallon barrel (equivalent to about \$0.06 per gallon). The fermented malt beverages tax was raised in 1970 from \$1.00 per barrel to its present rate.

Also under current law, in-state and out-of-state producers of fermented malt beverages that produce under 300,000 barrels of beer annually are eligible for a credit equal to 50% of the tax paid on the first 50,000 of barrels of beer taxed by Wisconsin. The eligible producer credit reduces the amount of tax collected.

Under this bill, the tax rate on fermented malt beverages would increase from \$2.00 per barrel to \$10.00 per barrel. The bill further specifies that the additional fermented malt beverage tax revenues generated by this tax increase shall be distributed to support specific programs to reduce alcohol related crimes and for substance abuse treatment and prevention efforts. The bill allocates the additional revenue as follows: \$4 per barrel for community aids for alcohol abuse services, \$2 per barrel for grants to local governments to reduce crimes related to alcohol, and \$2 per barrel for grants for substance abuse programs.

The bill is effective July 1, 2009 or the day after publication of the 2009-2011 budget bills, whichever is later.

By increasing the tax rate, the bill increases the value of the eligible producer credit from \$1 per barrel (50% of the current \$2 per barrel tax rate) to \$5 per barrel (50% of \$10 per barrel). In 2008, the total amount of the credit was approximately \$253,000. Under the bill, the amount of the credit is expected to increase to approximately \$1.3 million.

Detailed information on Wisconsin specific prices, sales, and consumer response to beer price changes is not readily available. Based on national information and consumer behavior studies, however, it is assumed that, on average, a barrel of beer costs \$242 (including the current tax of \$2.00 per barrel) and that the price elasticity of demand for beer equals -0.30.

Assuming the bill is effective July 1, 2009, it is estimated that fermented malt beverages tax collections, net of the eligible producer credit, would increase by \$39.5 million annually under the bill (increasing from \$10.0 million to \$49.5 million annually).

The Department of Revenue's administrative costs under the bill are minimal and would be absorbed within existing budget authority.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> Increasing the tax on fermented malt beverages to fund law enforcement grants and alcohol and drug abuse treatment and prevention programs, granting rule-making authority, and making appropriations			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes		\$19,750,000	\$
GPR Earned			
FED			
PRO/PRS		19,750,000	
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$39,500,000</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$39,500,000	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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