

### Fiscal Estimate - 2007 Session

Original
     
  Updated
     
  Corrected
     
  Supplemental

<b>LRB Number</b> <b>07-1930/1</b>	<b>Introduction Number</b> <b>AB-0474</b>	
<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>Fiscal Effect</b>		
<b>State:</b>		
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input checked="" type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
<b>Local:</b>		
<input checked="" type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs                      3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs                      4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
<b>5.Types of Local Government Units Affected</b> <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b>		
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
<b>Agency/Prepared By</b> DOR/ Jacek Cianciara (608) 266-8133	<b>Authorized Signature</b> Paul Ziegler (608) 266-5773	<b>Date</b> 9/12/2007

## Fiscal Estimate Narratives

DOR 9/12/2007

LRB Number	07-1930/1	Introduction Number	AB-0474	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 containing 0.5% or more of alcohol by volume are subject to an occupational tax of \$2.00 per a 31 gallon barrel. The tax is expected to generate \$9.4 million in FY08 and \$9.3 million in FY09. In addition, a producer of fermented malt beverages producing less than 300,000 barrels of fermented malt beverages annually is an "eligible producer." An "eligible producer" receives a credit in the amount of 50% of the tax paid or payable on the first 50,000 barrels of fermented malt beverage taxed in Wisconsin.

Under this bill, the tax rate for fermented malt beverages increases to \$10.00 per a 31 gallon barrel and at a proportional rate for any other quantity or fractional part. In addition, all barrels exported out of this state are included in calculating the number of barrels of fermented malt beverage to qualify for a tax credit as an "eligible producer."

Furthermore, the bill stipulates that in each fiscal year, beginning in FY08, from the total amount of the excise taxes collected on fermented malt beverages: \$4 per barrel will be used for community aids related to alcohol and drug abuse treatment services, \$2 per barrel will be allocated to the Office of Justice Assistance in the Department of Administration to provide grants to counties and municipalities to reduce crimes related to alcohol use, and \$2 per barrel will be used for grants for substance abuse treatment and prevention programs.

The bill is effective July 1, 2007 or the day after publication of the 2007-09 budget bill, whichever is later.

A review of the economic literature reveals that the price elasticity of demand for beer is around -0.3 (a 1.0% increase in price creates a 0.3% decrease in consumption), suggesting that beer consumption is relatively insensitive to price changes.

For the purpose of developing fiscal estimate, it is assumed that the current market price of a 31 gallon barrel of beer is \$250 and that the price elasticity of demand for beer equals -0.3. Based on these assumptions on an annual basis, an increase in the tax rate from \$2.00 to \$10.00 is expected to generate an additional \$37.1 million in FY08 and \$36.8 million in FY09.

The annualized FY08 tax increase shown above must be prorated for the publication date of the 2007-08 budget bill. Assuming the bill's tax increase effective Oct. 1st, the FY08 tax revenue increase is estimated at \$27.8 million.

Additional administrative costs will be absorbed within the Agency's budget.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

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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, ets.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes		\$34,900,000	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$34,900,000</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$34,900,000	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Jacek Cianciara (608) 266-8133		Paul Ziegler (608) 266-5773	9/12/2007