



W E S T V I R G I N I A

# STATE TAX DEPARTMENT

**Joint Select Committee on Tax Reform**

**Alcohol Taxes and Wholesale Markups**

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West Virginia State Capitol

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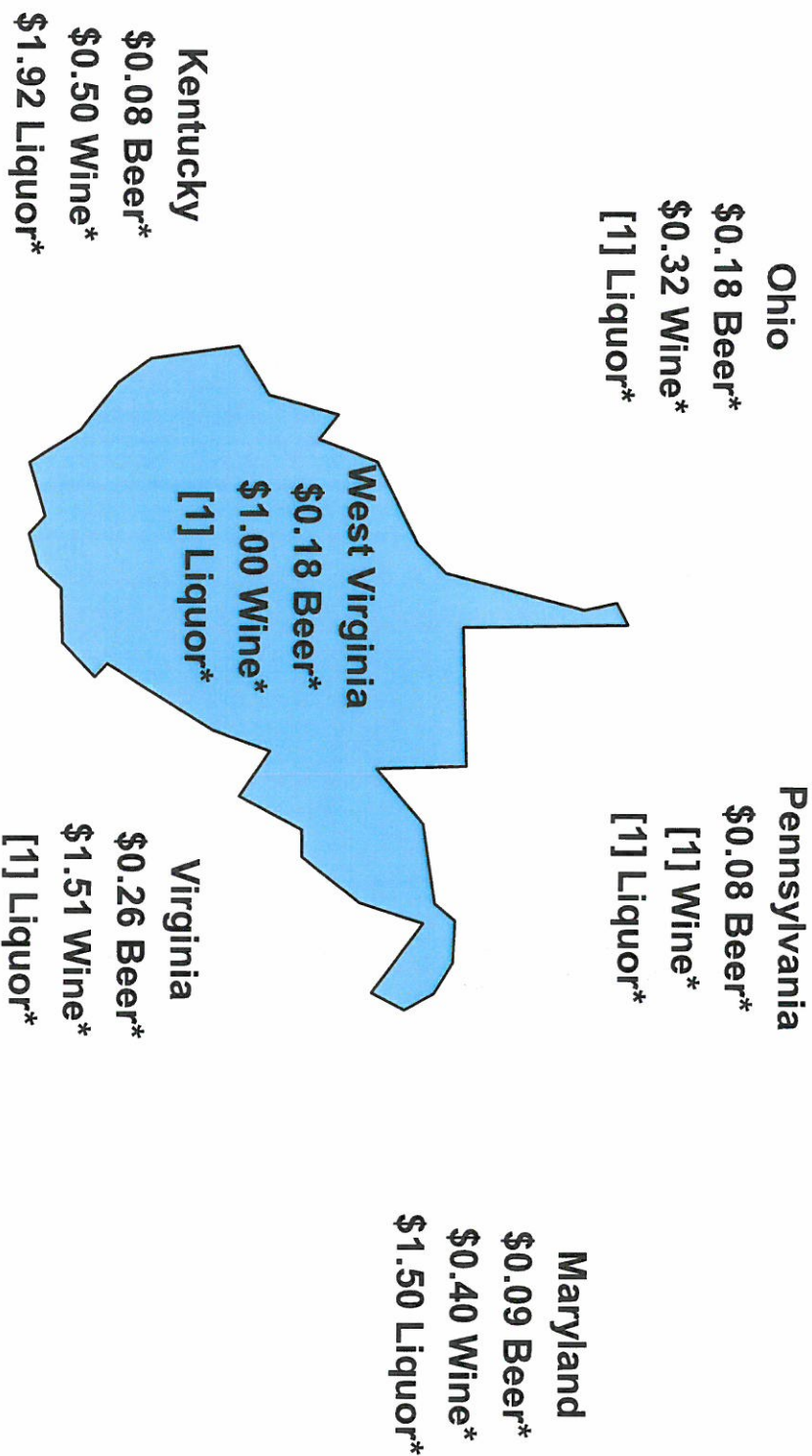
# OVERVIEW OF WEST VIRGINIA ALCOHOL TAXES

- West Virginia levies excise taxes on sales of beer and wine in the State
  - Beer barrel tax—\$5.50 per 31-gallon barrel
  - Wine liter tax—\$0.26406 per liter
- The State regulates taxes related to liquor/distilled spirits:
  - Subject to price mark-up
  - License fees vary by person/entity
- Sales of alcohol in the State are also subject to:
  - 6% state sales tax for sales of beer, wine and liquor
  - 5% local tax for sales of wine and liquor only
  - Local municipal sales taxes as applicable for sales of all alcohol
    - Local sales taxes first levied in FY 2012
    - 16 municipalities levy a local sales tax as of July 1, 2015

# COMPARATIVE TAX RATES

As of January 2015. All rates per gallon.

\* Additional taxes or regulations may apply



[1] State regulation of sales

Source: Federation of Tax Administrators

# **ALCOHOL EXCISE TAXES BY TYPE**

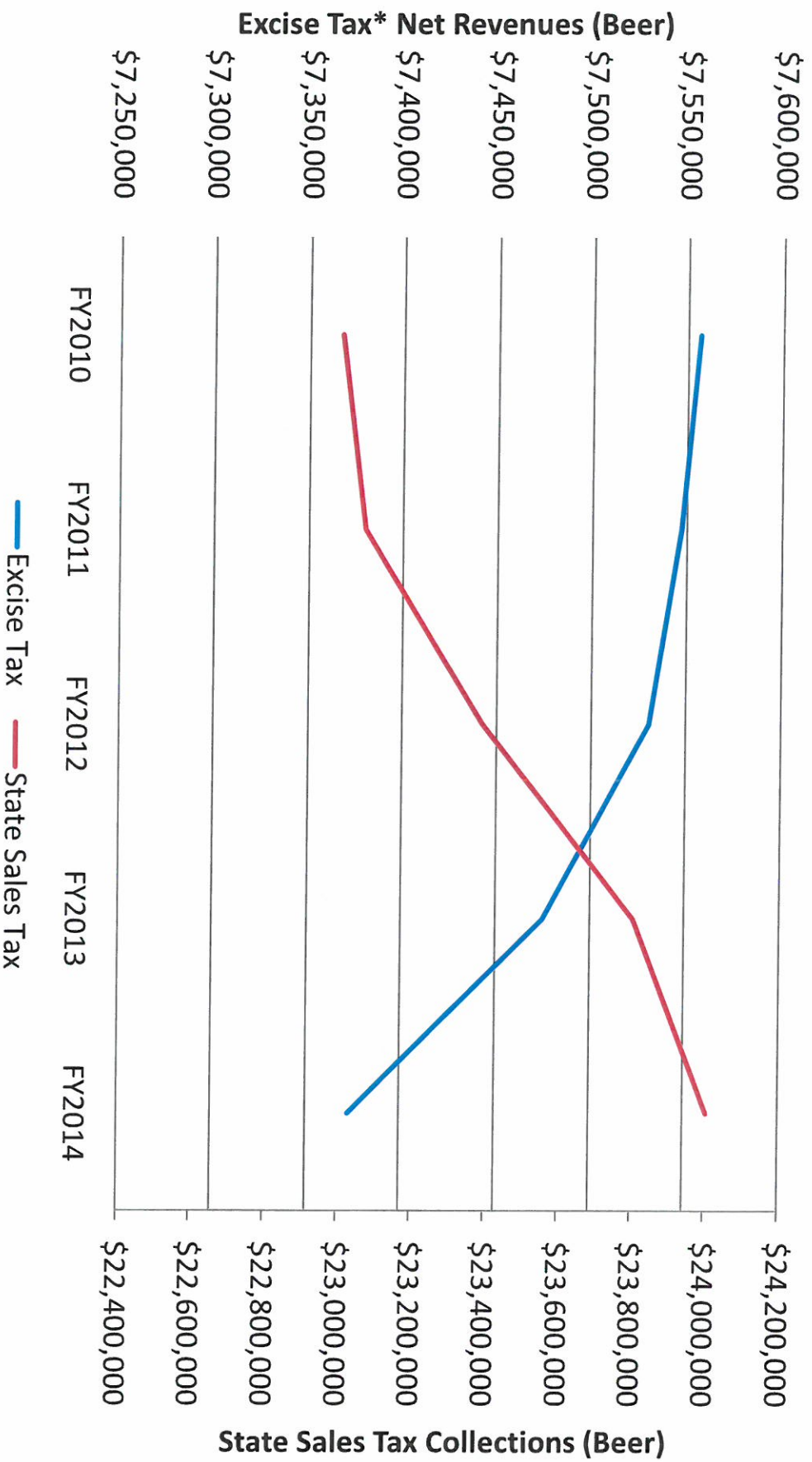
## BEER BARREL EXCISE TAXES

- Original tax levied at \$1.00 per 31-gallon barrel in 1933
  - Raised to \$1.375 per 31-gallon barrel in 1937
  - Raised to \$2.75 per 31-gallon barrel in 1947
  - Raised to \$5.50 per 31-gallon barrel in 1951.
- License fees and bonding requirements were added to the statute in 1951
  - **Class A** licenses are required for establishments that sell nonintoxicating beer to be consumed at the site of sale
  - **Class B** licenses are required for establishments that sell nonintoxicating beer to be consumed away from the site of sale
  - Annual license fees range from \$10 to \$1,500
- Nonintoxicating beer—natural cereal malt beverages (beer, lager, ale, etc.) with no caffeine infusion, at least 0.5% alcohol by volume not to exceed 9.6% alcohol by weight or 12% by volume, whichever is greater (WV Code §11-16)
- Revenues are deposited into the General Revenue Fund

# BEER BARREL EXCISE AND SALES TAX REVENUES

- **Revenue sources** for beer excise tax include:
  - Sale of licenses for sale, distribution, manufacturing, bottling, processing and serving, and
  - The barrel tax on each 31 gallons of beer manufactured
- **Excise tax net revenue** from *beer barrel tax only* decreased from \$7.6 million in FY 2010 to \$7.4 million in FY 2014
- Additional revenue gathered from state and local sales tax collections on beer
  - **State sales tax collection estimates** from beer sales have experienced an increase of approximately 4.4% from FY 2010 to FY 2014 (\$23 million to \$24 million, respectively)
  - **Local sales tax collection estimates** from beer sales have increased from \$0.1 million to \$0.2 million from FY 2012 to FY 2014

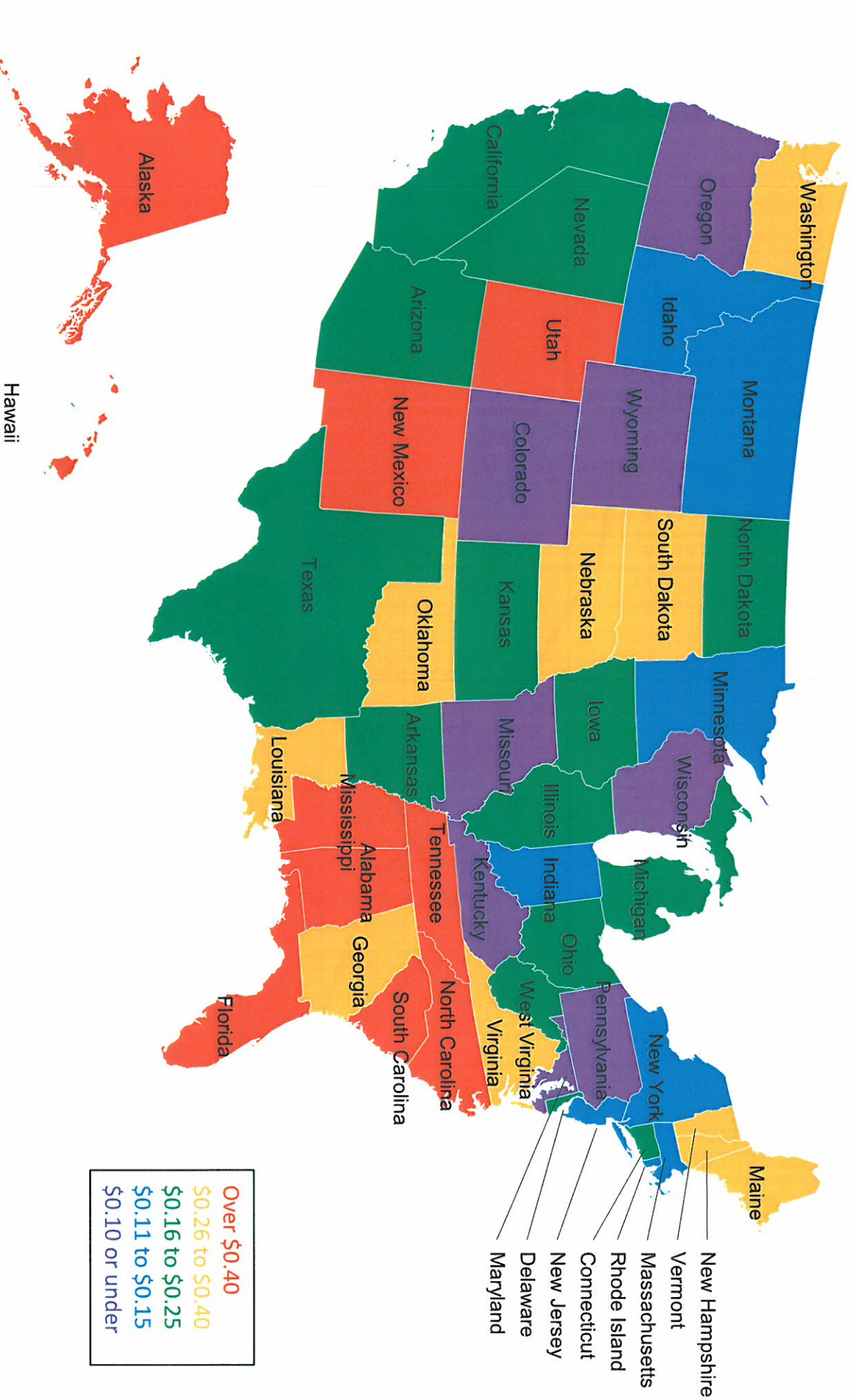
# BEER EXCISE AND SALES TAX REVENUES



\*Excise tax net revenues include beer barrel tax collections less refunds only.

# Tax on Beer

## Excise Tax Rate (\$ per gallon)



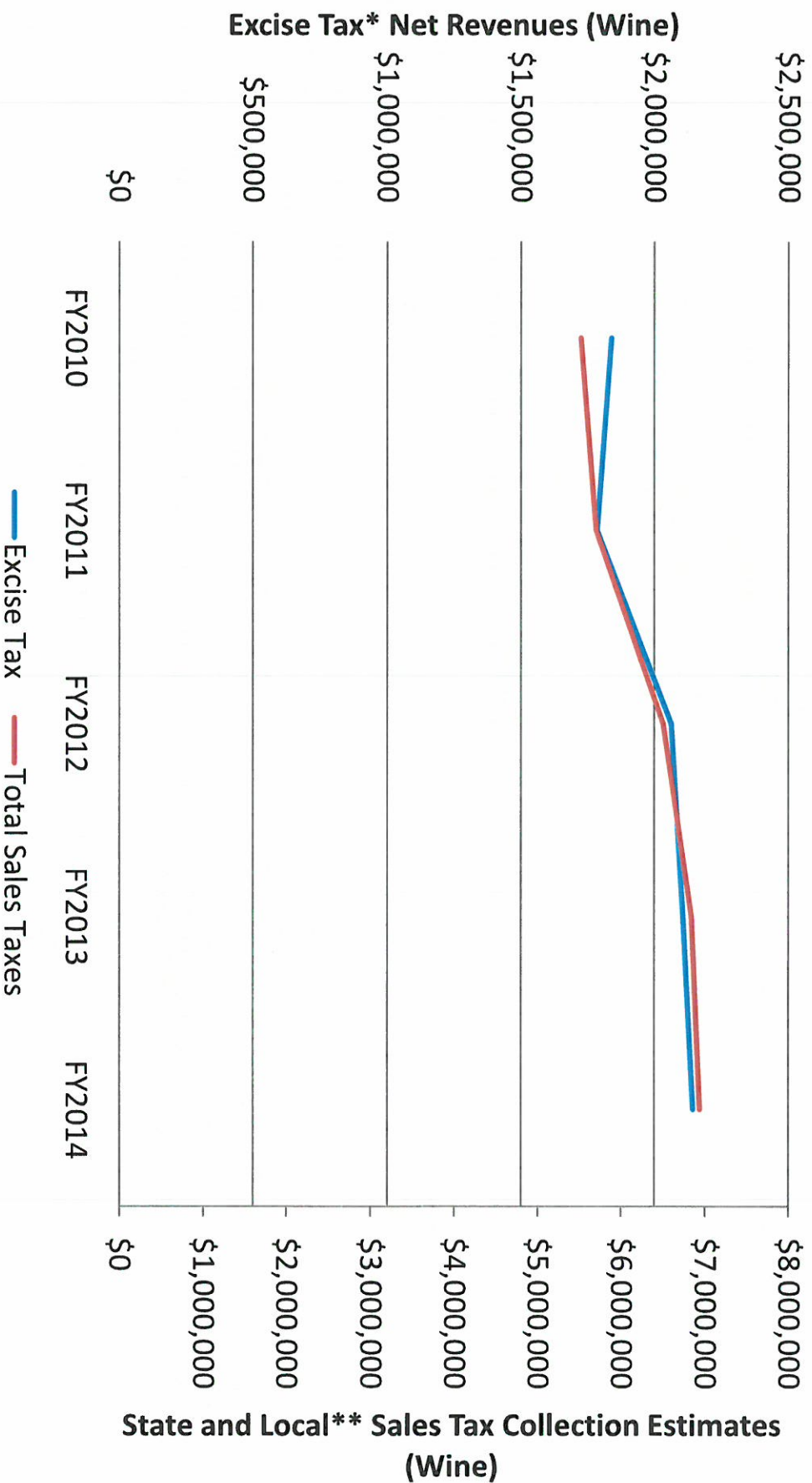
Source: Federation of Tax Administrators



## WINE LITER EXCISE TAXES

- Wine liter tax is currently \$0.26406 per liter
- **Excise tax net revenues** on volume of wine sold in West Virginia increased 16.6% from FY 2010 to FY 2014
  - Change from \$1.8 million to \$2.1 million, respectively
- **Wine liter tax revenues** deposited to General Revenue Fund
- **Wine license fees:**
  - First \$200,000 to the Tax Commissioner's Wine Tax Administration Fund
  - Remaining funds deposited to ABCA Commissioner Wine License Special Fund

# WINE EXCISE AND SALES TAX REVENUES

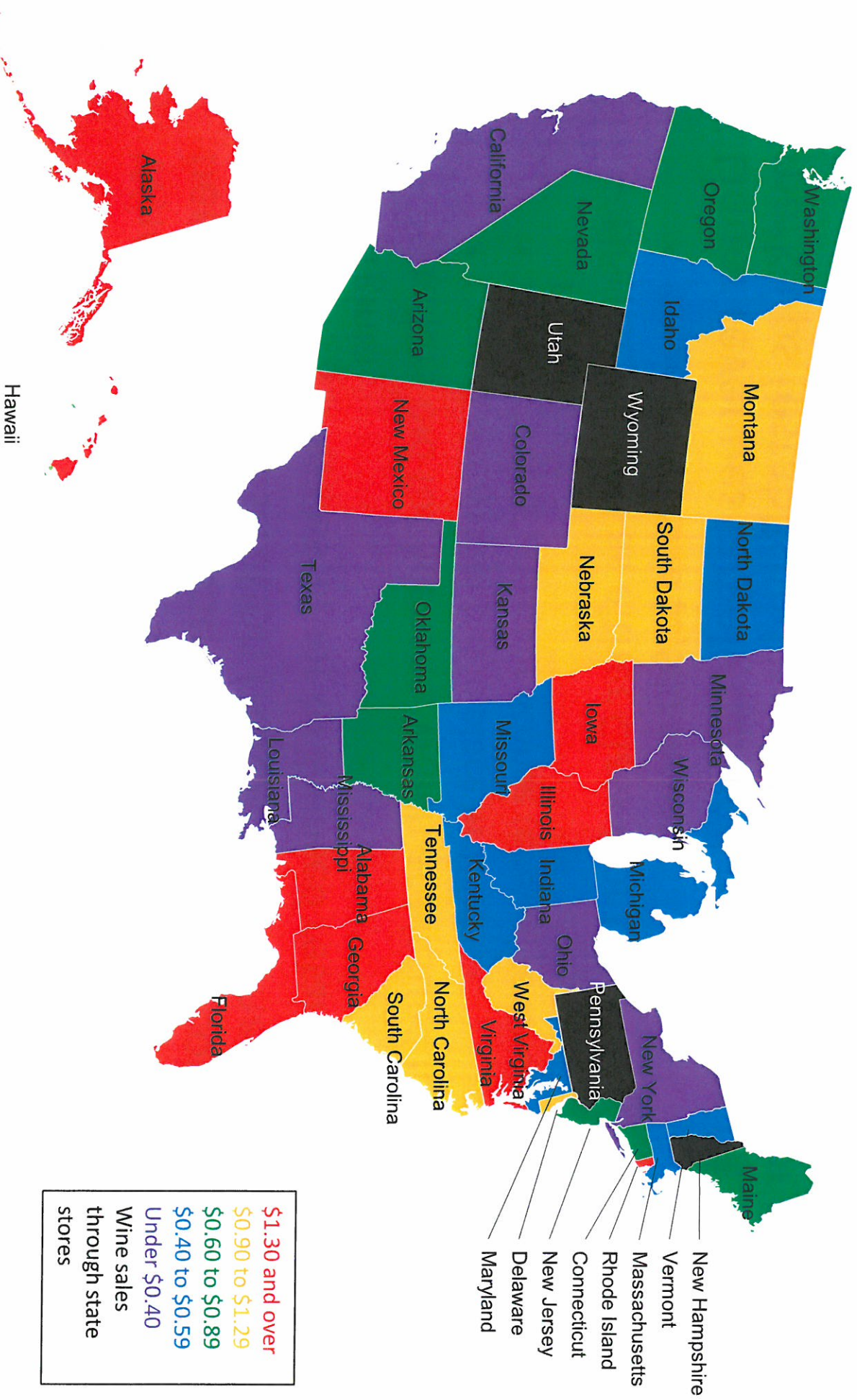


\*Excise tax net revenues include wine liter tax collections less refunds only.

\*\* Local sales tax collections represent only those from the 5% wine tax; collections data for municipalities not readily available

## Tax on Wine

### Excise Tax Rate (\$ per gallon)



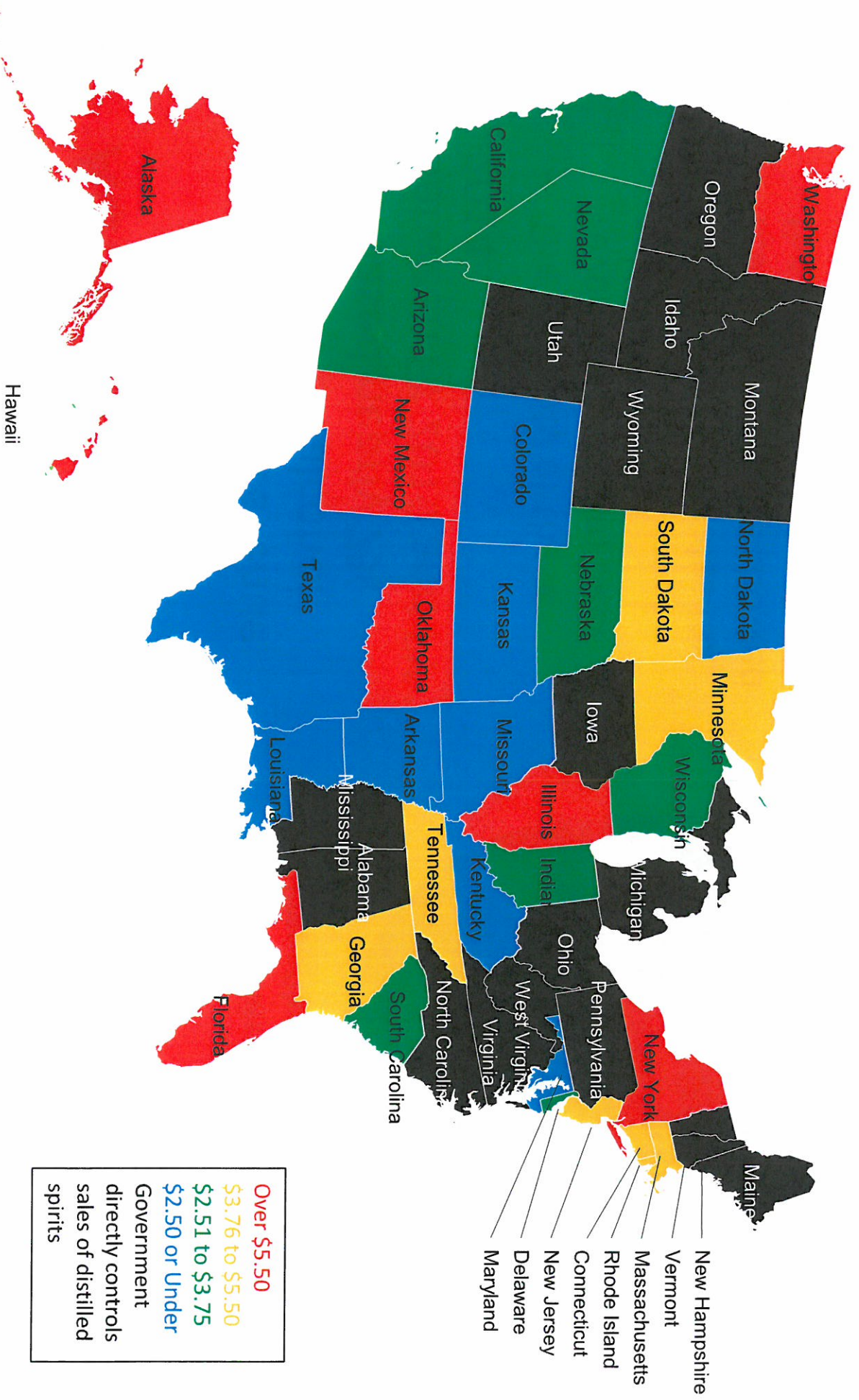
Source: Federation of Tax Administrators

## LIQUOR TAXES

- Wholesale and retail sales of liquor in the State have been regulated by the West Virginia Alcohol Beverage Control Administration (ABCA) since the early 1990s
  - ABCA wholesales liquor to licensed retailers in West Virginia
  - Retailers bid for licenses, which are issued in 10-year cycles
    - Current bid system put in place in 1990
    - Causes “peaks” in liquor license renewal revenue around FY 2000, FY 2010, etc.
  - Licenses issued as either Class A or Class B
    - Range from \$10 to \$2,500 annually
- Liquor revenues largely derived from licensing fees, mark-ups (established by the ABCA) and liquor profits
- Funds received by ABCA are deposited into an ABCA operating fund

# Tax on Liquor

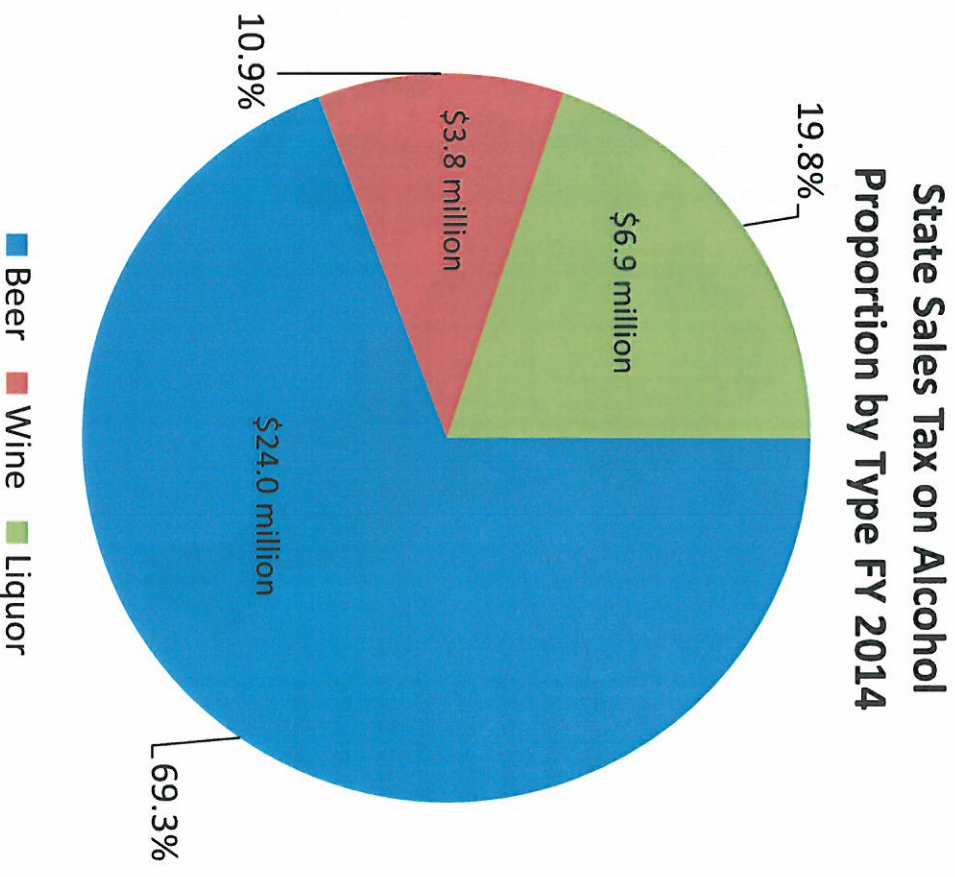
## Excise Tax Rate (\$ per gallon)



Source: Federation of Tax Administrators

# AGGREGATED ALCOHOL TAX REVENUES

- State sales tax revenue estimates on alcohol **increased nearly 7% between FY 2010 and FY 2014**
  - The majority of these revenues are from beer sales
  - Estimated state sales tax revenues on wine showed the largest increase during this time period, increasing 25.7%



# STATE AND LOCAL ALCOHOL TAX COMPARISONS

- The Tax Policy Center compiled state and local alcoholic beverage tax revenue estimates by state
- State and local alcohol revenues in 2012 were:
  - Nearly \$129.8 million on average
  - Highest in Texas, more than \$937.6 million
  - Lowest in Wyoming, approximately \$1.7 million
  - **\$24.8 million in West Virginia**
    - Falls in the bottom quarter of state and local alcohol revenue
- Adjusting for population, state and local alcohol revenues in 2012 were:
  - \$51.34 per capita on average
  - Highest in Alaska, \$720.51 per capita
  - Lowest in Texas, \$0.66 per capita
  - **\$4.56 in West Virginia**
    - Falls in the bottom quarter of state and local alcohol revenue

## STATE AND LOCAL ALCOHOL TAX COMPARISONS

- The Tax Policy Center compiled state and local alcoholic beverage tax revenue by state
- Among West Virginia and surrounding states:
  - West Virginia had the **lowest** state and local alcohol revenues in 2012 but was **above average** in revenue per capita
  - Pennsylvania had the largest share of state and local alcohol revenues for the region (42.4%)
  - Revenue per capita was largest in Kentucky (\$26.98) and lowest in Virginia (\$1.57)
- Average regional revenues:
  - \$139.3 million in total state and local alcoholic beverage revenues
  - \$8.74 in revenues per capita



# **RELATED FUNDS AND ADDITIONAL TAXES**

# DRUNK DRIVING PREVENTION FUND

- Established with the creation of the Commission on Drunk Driving through the West Virginia State Police
- Revenues for the Fund are derived from sales tax collections (6% state tax rate) on sales of wine and liquor purchased from retail liquor licensees by **private clubs**
  - Annual net revenues for the Fund have averaged \$1.3 million from FY 2010 to FY 2014
- Fund revenues are disbursed to the State Police, local West Virginia city police departments and county sheriff departments to compensate overtime costs associated with respective Driving Under the Influence (DUI) prevention programs

## LOCAL 5% SALES TAX

- A local 5% sales tax is imposed on sales of wine and liquor in West Virginia
- Collections received are redistributed quarterly to counties and municipalities based on location of sale
- Local sales tax collections for 5% additional tax on sale of wine and liquor increased from \$7.8 million to \$8.9 million from FY 2010 to FY 2014
  - An increase of approximately 13%
  - Local sales tax collections on sales of wine and liquor in the State were approximately \$8.3 million on average from FY 2010 to FY 2014

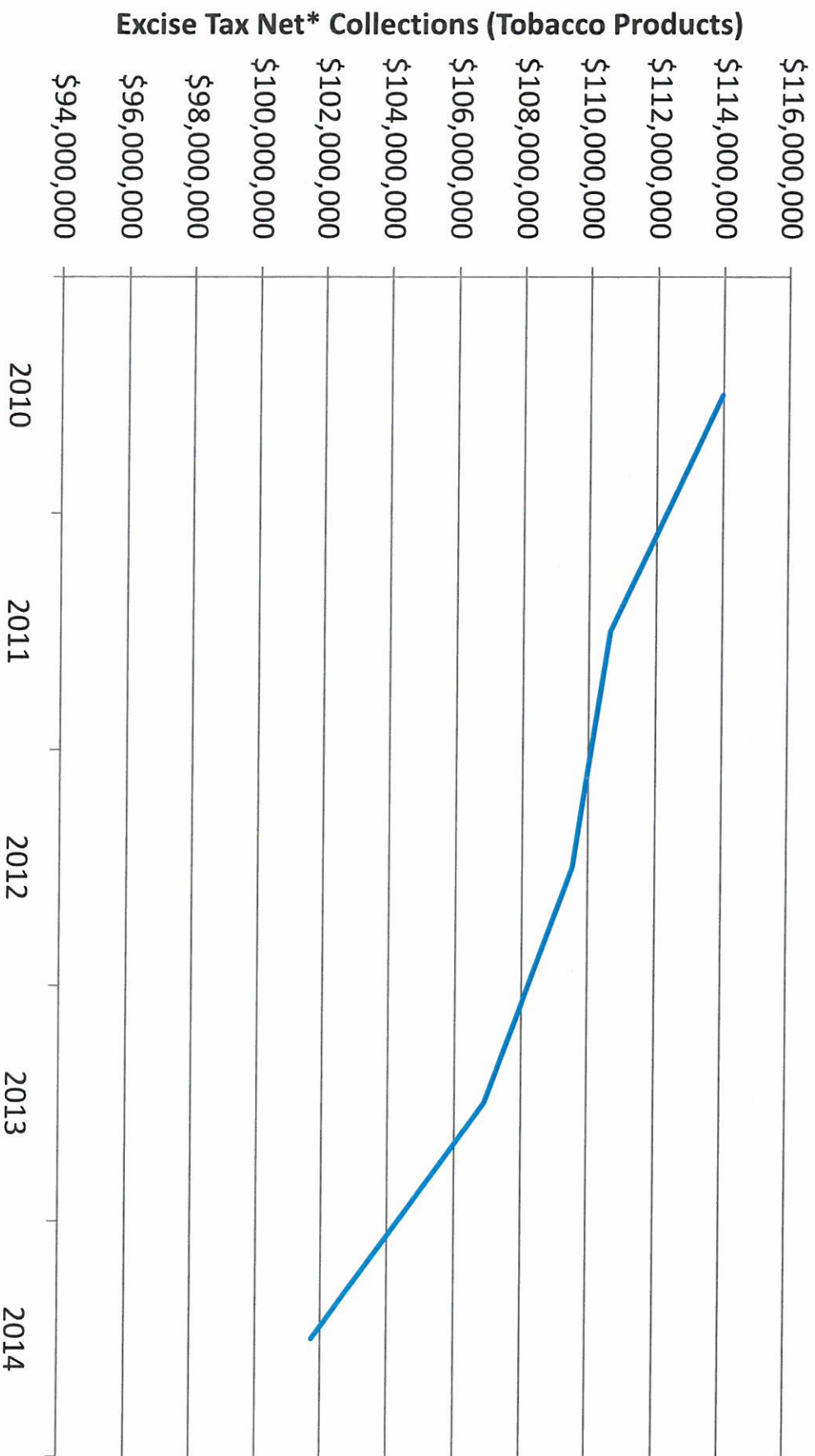
# **SIN TAX BURDENS AND STATE REVENUE**

# SIN TAX BURDENS AND STATE REVENUE

- *Governing* magazine considered FY 2014 state excise tax collections—specifically revenue from alcohol, gambling (casinos and racinos), tobacco products and video gaming—to measure which states had the largest dependency on sin taxes
  1. Rhode Island (15.9% tax revenue)
    - Largest portion of sin taxes attributed to gambling revenues
    - Tobacco revenues second largest
  2. Nevada (14.8% tax revenue)
    - Largest portion of sin taxes attributed to gambling revenues
    - No state income tax; likely aids in dependence on sin taxes
  3. **West Virginia (11.5% tax revenue)**
    - Largest portion of sin taxes attributed to gambling revenues
  4. New Hampshire (9.9% tax revenue)
    - Largest portion of sin taxes attributed to revenue from tobacco products
    - No state sales or income tax; likely aids in dependence on sin taxes
  5. Delaware (9.4% tax revenue)
    - Largest portion of sin taxes attributed to both tobacco product and gambling revenues
    - No state sales tax; likely aids in dependence on sin taxes
- Nationally, state sin taxes account for approximately 3.8% of state tax revenues

# **TOBACCO PRODUCT EXCISE TAX REVENUES**

# TOBACCO PRODUCT EXCISE TAX REVENUES



\*Excise tax net revenues include all tobacco product excise tax collections less refunds.



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## Questions?

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