

**Department of Planning and Budget
2006 Fiscal Impact Statement**

1. Bill Number SB600

House of Origin Introduced Substitute Engrossed

Second House In Committee Substitute Enrolled

2. Patron Colgan

3. Committee Finance

4. Title Alcoholic beverage tax.

5. Summary/Purpose: Increases the tax on alcoholic beverages by 3% with the revenues to be used for the operational support of volunteer rescue squads and fire-fighting organizations.

6. Fiscal Impact Estimates are: Preliminary. See Item 8.

7. Budget amendment necessary: Yes. Section 3-1.01, Item 260 and front page.

8. Fiscal implications: This legislation changes the distilled spirit excise tax from 20 percent to 23 percent, which raises the overall shelf price by 3 percent. According to the Alcoholic Beverage Control Board (ABC), the shelf price increase is expected to have negative effects on sales volume and therefore on profits and profit transfers to the general fund.

According to ABC, for every 1 percent increase in cost, there is a corresponding 0.4 percent decrease in quantity demanded. As a result, an increase in the excise tax of 3 percent, while generating a possible \$13.4 million in FY 2007 and \$14.3 million in FY 2008 for local governments to support local rescue and fire fighting organizations, will reduce ABC profits to the general fund by \$2.5 million and \$2.6 million, respectively.

This legislation also proposes to transfer the additional revenues collected to the general fund to be distributed to localities. This will require an appropriation in the budget, as well as an adjustment to the front page general fund revenue numbers.

9. Specific agency or political subdivisions affected: ABC and localities.

10. Technical amendment necessary: No.

11. Other comments: None

Date: 01/30/06 / tmb