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RESEARCH

# State Alcohol Tax Rates

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Spirits and Wine Tax Rates for the Control States: 2012 estimates based on retail price impact relative to license state pricing

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# Summary:

## State Alcohol Tax Rates

**Purpose:** The purpose of this study is not to advocate for higher or lower tax rates. The study is meant to provide policy makers with actual or implied state tax rates per gallon and by standard drink (0.6 oz. of ethanol) for beer, wine and spirits. It also provides state revenues per ethanol gallon for beer, wine and spirits.

**Methodology:** Because of differing statutory and regulatory environments, it is difficult to accurately compare alcohol tax rates. To insure understandable and reliable data, the study used a methodology that was peer-reviewed by other researchers and industry representatives.

### **The methodology is as follows:**

1. Use state excise taxes where available.
2. Where excise taxes are not available, (i.e., control states for spirits), use implied markups and margins for wholesale retail and any excess in price as the implied tax.
3. Do not include sales tax if applied to all commodities.
4. Use ad valorem (as % of price) taxes specific to alcohol, or sales taxes if higher for alcohol, than other products.
5. All tax estimates are presented as wholesale excise taxes, translating control state mark-ups and ad valorem taxes into a wholesale excise tax that would result in the same price to consumers given our assumptions regarding implied mark-ups and margins.

**Summary:** In general, spirits are taxed at higher rates per gallon than either beer or wine in both control and license states. For control states, this disparity often grows as the price of the product increases. On average, control jurisdictions tax less expensive spirit products at a lower rate than license states, but as the price goes up, the control states will tax these products at a higher rate than do license states. This anomaly is due to the fact that most control states have an ad valorem mark-up structure as opposed to a fixed excise tax rate, which nearly all license states employ. Control states generate considerably more revenue per gallon as profits that are remanded to the state coffers. In license states, the profits accrue to private retailers and/or distributors. In conclusion, it is important to look at each state individually as their tax rates vary based on a multitude of factors.



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*(this section has data for spirits, and wine for states that control that product)*

## Control state tax estimates

This report presents estimates of tax rates on spirits products for the 17 control states and 1 control county and on wine products in 4 control states and 1 control county. These tax estimates, presented in Tables 1 and 2, are conceptualized as the tax rate per beverage volume applied at the wholesale level that would have the equivalent effect on the retail price paid by a consumer as in a typical license state.

Estimation procedures begin with a typical Freight on Board (FOB) price and next apply each control state's mark-up procedures to this in order to determine the retail price for each state associated with that FOB price. This retail price is then compared to an expected price as determined by applying typical wholesale margins and retail mark-up percentages. These margins and mark-up percentages were determined by NABCA through discussions with industry experts, taking into account the range of practices typically used.

Our assumed margins and mark-up rates are intended to represent average or typical wholesale margins of 21% and 25% retail mark-up on the wholesale price. Taken together, the assumed mark-up on FOB prices in this study is 58.125%.

We also contributed to these discussions, finding data on wholesale and retail margins or mark-ups from two sources. First, we calculated mark-up percentages taken from a 2008 report by the Beverage Media Group on pricing at the producer, wholesale and retail levels in Massachusetts. This report indicated average wholesale mark-ups of around 40% and retail mark-ups of around 25%, however, these were likely based on posted rather than realized prices and experts suggest posted prices will overstate the wholesale margins. This data also suggested that mark-up percentages vary widely by brand at both the wholesale and retail levels with larger average mark-ups occurring on lower priced products, consistent with a fixed cost aspect to pricing policies. This variation in mark-ups across specific products differs from control state procedures where, in most cases, all products are treated in the same manner. The second source was the Economic Census, conducted by the U.S. government. This source provided data from the 2007 Economic Census for Beer, wine and distilled alcoholic beverage merchants indication that gross margins as a percent of sales were 25.8%. This source also provides an estimated gross margin for retail beer, wine and liquor stores in 2011, using data from the *Annual Retail Trade Survey* and the *2007 Economic Census*, indicating that the gross margin on sales was 28%. Taken together, the *Economic Census* data suggest that the overall mark-up on producer prices is 87.2%. This is substantially higher than our assumed mark-up, suggesting that the estimates presented in this report may be conservative.

We note that the estimated tax rates we present are highly dependent on these assumed mark-up percentages and that assumptions of lower margins and mark-ups would result in higher tax estimates while assumptions of higher margins and mark-ups would result in lower tax estimates. We also recognize that the presented tax estimates depend on the price of the product with differing relationships across price levels depending on the formulas for each specific state. This variation is considered and illustrated in Tables 3a and 3b where tax estimates are presented for selected lower and higher FOB prices and, for a 750ml. bottle of spirits.

## Spirits tax rates compared to beer and wine tax rates

Spirits products are nearly always taxed at higher rates per comparable unit of ethanol than beer or wine products by the states. The few exceptions include wine in Florida and several control states and beer in Tennessee, Alabama and West Virginia. Table 5a presents the estimated tax rates for spirits and wine in the control states along with actual and estimated tax rates for beer, wine and spirits for states that are license for those beverages in terms of the tax per standard drink on a typical alcohol percentage by volume (%ABV) brand. Table 5b presents the same information in terms of tax rates per beverage gallon as this is the usual basis for the taxation of alcoholic beverages by states. Results in Table 5a and 5b show that tax rates on spirits are lower in the control states and tax rates on wine are higher in control states. For wine, the control state average masks considerable variation with some states having relatively high tax rates and others very low or negative rates. In general, spirits are taxed at much higher average rates than beer and wine in both control and license states. Within control states, estimated tax rates and revenues per gallon of ethanol sold tend to be much higher for spirits than for beer, as shown in Table 8.

## Control state revenues include more than taxes

It must be recognized that state government revenues per volume of spirits sold are much higher than the tax estimates presented would suggest. These revenues can be viewed as including both profits that would have been made by private wholesalers and retailers as well as an additional tax. This additional tax is the focus of the estimates provided in this report. An alternative view would consider the full revenue amount as tax, since it is money paid by spirits or wine buyers that is collected by the government, but this definition would not be comparable with open state taxes in terms of the impact on spirits or wine prices paid. Table 6 presents a comparison of state tax revenues per gallon of ethanol sold as spirits and revenues per capita with the estimated tax rates per gallon of spirits. Our results indicate that estimated tax rates in control states are lower than those in license states in terms of their effects on prices yet deliver considerably more revenue. Table 7 presents state tax revenues from wine.

**The fact that control states raise substantially more revenue per volume of spirits sold indicates that control states are a good value to their residents as they are able to buy spirits products at similar prices while generating much higher revenues for the state. Therefore, either more state services are available or other taxes are lower than they would otherwise be to deliver the same level of services.**

## Methods for Table 1

### ***Tax estimates for 1.75L 40%ABV spirit with FOB of \$12.50***

To calculate estimated tax rate for the control states, we used a methodology that included several steps corresponding to the columns in Table 1. Table 1 gives the estimated tax rate on a 1.75L bottle of spirits with an FOB of \$12.50 for year 2012.

We first computed an average FOB price using 2012 data from NABCA SAM ProDiver to be \$12.50. We then calculated the estimated retail price using state mark-up/tax procedures based on NABCA Survey Book: 2012 and through correspondence with Alcohol Beverage Control personnel from each state. State's retail price equations vary widely, but generally include a freight cost, a mark-up and a set of additional taxes or charges. Each state's retail price calculation is detailed in the Appendix. Sales tax rates were not included in the retail price calculations. The results are shown in column 2 of Table 1.

The expected price was then calculated by adding a mark-up of 58.125% (the result of a 21% wholesale margin and a 25% retail mark-up) to the assumed FOB price (\$12.50), resulting in an expected retail price of \$19.77. For wholesale control states, only the typical wholesale margin was applied for an expected wholesale price of \$15.81. The results are shown in column 3.

The estimated tax rate per bottle was then calculated. The difference between the calculated price and expected price (defined using the typical %mark-up assumptions) results in the tax per bottle plus the %mark-up. (Column 4) As indicated, the tax per bottle + %markup rate has the assumed %mark-up included. To calculate the pre-mark-up tax estimate, we multiplied the tax rate + %mark-up results by (1 divided by %mark-up) for the tax estimate per bottle.

$$\text{Tax per bottle} = (\text{tax per bottle \& mark-up}) * (1/\text{mark-up})$$

See results in Column 5.

The last two columns (7 and 8) show two alternative ways of looking at tax rates on spirits. Rates were expressed as tax per beverage gallon on a 40%ABV product by multiplying by 2.16 (the number of 1.75L bottles in a gallon). This rate was then translated into a tax rate per standard drink by dividing the gallon rate by 85.33 (the number of 0.6 ounce standard drinks in a gallon of 40%ABV spirits).

## Methods for Table 1 (cont.)

**TABLE 1: Estimated spirits tax rates on a 1.75L bottle of spirits in 2012: Details of calculation.**

States	Assumed Avg FOB Price	Calculated Retail Price	Expected Price (w/Mark-up 58.125%)	Tax per bottle + markup	Tax per bottle	Ounces per gallon/ pz per 1.75L	Tax per gallon (40% abv)	Tax rate per std drink
Alabama	12.50	25.65	19.77	5.89	3.72	2.16	48.06	0.090
Idaho	12.50	24.50	19.77	4.73	2.99	2.16	6.48	0.076
Maine	12.50	21.99	19.77	2.22	1.41	2.16	3.04	0.036
Montgomery County (Maryland)	12.50	19.77	19.77	0.00	0.00	2.16	0.01	0.000
Michigan	12.50	23.48	19.77	3.72	2.35	2.16	5.08	0.060
Montana	12.50	22.50	19.77	2.73	1.73	2.16	3.74	0.044
New Hampshire	12.50	18.99	19.77	-0.78	-0.49	2.16	-1.06	-0.012
North Carolina	12.50	23.95	19.77	4.18	2.65	2.16	5.72	0.067
Ohio	12.50	22.99	19.77	3.22	2.04	2.16	4.40	0.052
Oregon	12.50	27.40	19.77	7.63	4.83	2.16	10.44	0.122
Pennsylvania	12.50	21.29	19.77	1.52	0.96	2.16	2.09	0.024
Utah	12.50	23.53	19.77	3.76	2.38	2.16	5.15	0.060
Vermont	12.50	21.67	19.77	1.91	1.21	2.16	2.61	0.031
Virginia	12.50	25.00	19.77	5.23	3.31	2.16	7.16	0.084

Wholesale Only	Assumed Avg FOB Price	Calculated Wholesale Price	Expected Price (w/21% Margin)	Tax per bottle + markup	Tax per bottle	Ounces per gallon/ pz per 1.75L	Tax per gallon (40% abv)	Tax rate per std drink
Iowa	12.50	18.84	15.81	3.01	2.39	2.16	5.18	0.061
Mississippi	12.50	17.93	15.81	2.12	1.67	2.16	3.62	0.042
West Virginia	12.50	16.38	15.81	0.57	1.10	2.16	2.38	0.028
Wyoming	12.50	16.51	15.81	0.70	0.55	2.16	1.19	0.014

\* West Virginia tax estimate also includes a 5% retail tax.

## Methods for Table 2

Using the method described above for spirits, wine tax estimates were calculated on a 750ml bottle of wine with an FOB price of \$7 for the year 2012.

The expected price (using the 58.125% mark-up), tax per bottle + % markup and tax per bottle were calculated similarly to spirits. The tax per beverage gallon on a 125% ABV was calculated by multiplying by 5.05, the number of 750ml. bottles in a gallon. This was then translated into tax rates per standard drink by dividing by 25.6 (number of standard drinks in a gallon of 12% AVB wine).

**TABLE 2: Estimated wine tax rates on a 750ml bottle of 12% ABV wine with an FOB price of \$7.00 in 2012: Details of calculation.**

States	Assumed Avg FOB Price *	Calculated Retail Price 750ML	Expected Price (FOB * markup) (58.125%)	tax per bottle + Mark-up	tax per bottle	ounces per gallon/oz per 750ml	tax per gallon	tax per standard drink (12%) abv
Montgomery County (Maryland)	\$7.00	11.28	11.07	0.21	0.13	5.05	0.67	0.026
New Hampshire	\$7.00	11.49	11.07	0.42	0.27	5.05	1.34	0.053
Pennsylvania	\$7.00	12.39	11.07	1.32	0.84	5.05	4.22	0.165
Utah	\$7.00	13.16	11.07	2.09	1.32	5.05	6.67	0.261
Mississippi (wholesale)	\$7.00	9.41	8.86	0.56	0.35	5.05	1.77	0.069
Wyoming (wholesale)	\$7.00	8.98	8.86	0.12	0.10	5.05	0.48	0.019

## Methods for Tables 3a and 3b

### *Tax estimates for low, moderate and high priced brands of 1.75L spirits and for a 750ml. bottle.*

Using the same procedures described above, estimated tax rates for a lower priced brand with an FOB of \$7.50 and for a higher priced brand with an FOB of \$21 were calculated. Estimates for a 750ml. bottle with an FOB of \$7.50 were also calculated. Each of these estimates is presented along with the estimates for the FOB of \$12.50 in terms of tax per standard drink in Table 3a and tax per beverage gallon on Table 3b to illustrate the difference in tax rate estimates by price level. License states tax rates also differ by price level because some states have ad valorem (as % of price) taxes on alcoholic beverages. These were converted into taxes per beverage gallon applied at the wholesale tier for each FOB price level.

**Table 3a Estimated tax per standard drink for low, moderate and high priced brands of 1.75L and for a moderate priced brand of 750ml spirits in 2012.**

States	FOB \$7.50	1.75L FOB \$12.50	FOB \$21	750ml FOB \$7.50
Alabama	0.059	0.094	0.155	0.131
Idaho	0.056	0.076	0.094	0.099
Maine	0.082	0.036	0.109	0.080
Montgomery County (MD)	0.007	0.000	-0.011	-0.007
Michigan	0.036	0.060	0.100	0.083
Montana	0.030	0.044	0.069	0.061
New Hampshire	-0.006	-0.012	-0.028	-0.014
North Carolina	0.045	0.067	0.104	0.093
Ohio	0.043	0.052	0.066	0.061
Oregon	0.078	0.122	0.155	0.177
Pennsylvania	0.026	0.024	0.019	0.046
Utah	0.038	0.060	0.098	0.083
Vermont	0.019	0.031	0.050	0.044
Virginia	0.053	0.084	0.136	0.134
Iowa	0.037	0.061	0.101	0.087
Mississippi	0.041	0.042	0.044	0.046
West Virginia	0.020	0.028	0.041	0.037
Wyoming	0.023	0.014	-0.001	0.010
<b>Control State Average</b>	<b>0.038</b>	<b>0.049</b>	<b>0.072</b>	<b>0.070</b>
<b>License State Average</b>	<b>0.057</b>	<b>0.058</b>	<b>0.064</b>	<b>0.062</b>

## Methods for Tables 3a and 3b (cont.)

**Table 3b Estimated tax per beverage gallon for low, moderate and high priced brands of 1.75L and for a moderate priced brand of 750ml spirits in 2012.**

States	FOB \$7.50	FOB \$12.50	FOB \$21	750ml FOB \$7.50
Alabama	5.00	8.06	13.25	11.18
Idaho	4.78	6.48	7.99	8.43
Maine	7.02	3.04	9.28	6.80
Montgomery County (MD)	0.57	0.01	-0.95	-0.56
Michigan	3.05	5.08	8.54	7.12
Montana	2.52	3.74	5.87	5.24
New Hampshire	-0.51	-1.06	-2.35	-1.18
North Carolina	3.82	5.72	8.88	7.95
Ohio	3.69	4.40	5.62	5.18
Oregon	6.69	10.44	13.19	15.13
Pennsylvania	2.23	2.09	1.62	3.93
Utah	3.24	5.15	8.39	7.12
Vermont	1.61	2.61	4.31	3.76
Virginia	4.50	7.16	11.62	11.46
Iowa	3.17	5.18	8.59	7.39
Mississippi	3.53	3.62	3.76	3.94
West Virginia	1.70	2.38	3.53	3.18
Wyoming	1.96	1.20	-0.10	0.83
<b>Control State Average</b>	<b>3.25</b>	<b>4.18</b>	<b>6.17</b>	<b>5.94</b>
<b>License State Average</b>	<b>4.87</b>	<b>4.98</b>	<b>5.50</b>	<b>5.27</b>

Note: Comparisons with the license states are in later tables.

## Methods for Tables 4a and 4b

### *Tax estimates for low, moderate and high priced brands of 750ml wine*

Using the same procedures described above, estimated tax rates for a lower priced brand with an FOB price of \$4.00 and for a higher priced brand with an FOB price of \$15 were calculated. Each of these estimates is presented along with the estimates for the FOB price of \$7.00 in terms of tax per standard drink in Table 4a and tax per beverage gallon in Table 4b to illustrate the difference in tax rate estimates by price level. License states tax rates also differ by price level because some states have ad valorem (as % of price) taxes on alcoholic beverages. These were converted into taxes per beverage gallon applied at the wholesale tier for each FOB price level.

**Table 4a Estimated tax per standard drink for low, moderate and high priced brands of 750ml wine in 2012.**

States	\$4.00	\$7.00	\$15
Montgomery County (MD)	-0.001	0.026	-0.044
New Hampshire	0.059	0.053	-0.351
Pennsylvania	0.156	0.165	0.049
Utah	0.131	0.261	0.443
Mississippi (wholesale)	0.064	0.069	0.077
Wyoming (wholesale)	0.060	0.019	-0.091
<b>Control State Average</b>	<b>0.078</b>	<b>0.099</b>	<b>0.014</b>
<b>License State Average</b>	<b>0.038</b>	<b>0.041</b>	<b>0.054</b>

**Table 4b Estimated tax per beverage gallon for low, moderate and high priced brands of a 750ml wine in 2012.**

States	\$4.00	\$7.00	\$15
Montgomery County (MD)	-0.01	0.67	-1.13
New Hampshire	1.51	1.34	-8.99
Pennsylvania	4.00	4.22	1.26
Utah	3.34	6.67	11.35
Mississippi (wholesale)	1.63	1.77	1.97
Wyoming (wholesale)	1.54	0.48	-2.34
<b>Control State Average</b>	<b>2.00</b>	<b>2.53</b>	<b>0.36</b>
<b>License State Average</b>	<b>0.96</b>	<b>1.06</b>	<b>1.37</b>

## Methods for Tables 5a and 5b

### ***Comparison of tax rates for a typical %ABV brand for beer, wine and spirits in control and license states***

Tables 5a and 5b show tax rates on a typical brand (in terms of price and alcohol content) of spirits, wine and beer: \$12.50 FOB 1.75L. spirit at 40%ABV; for wine, \$7 FOB 750ml wine at 12%ABV; and for beer, \$4.95 retail price per six pack at 5%ABV.

Table 5a shows the state-level tax rate per standard drink (0.6 ounces or 14 grams of ethanol) for spirits, wine and beer. Table 5b shows these same rates expressed as tax rates per beverage gallon applied at the wholesale level for each beverage type by state.

Tax rates for license states were obtained from the Alcohol Policy Information System (APIS) website. <http://www.alcoholpolicy.niaaa.nih.gov>. These tax rates differ from those reported by the Tax Foundation due to differences in methods for the inclusion of ad valorem tax rates or differences with APIS in reported rates.

For license states with ad valorem taxes at the wholesale or retail level, this tax was estimated for the prices of typical brands shown above based on the same assumed margins and mark-up as used in the control state tax estimates. They were also translated into tax amounts per beverage gallon applied at the wholesale level.

### **Table 5a- State-level spirits, wine and beer tax rates per standard drink of a brand at a typical %ABV and price.**

*(Results are in \$ per standard drink to 3 decimal places due to very low tax rates)*

Control States	Spirits (40%)	Wine (12%)	Beer (5%)
Alabama	0.094	0.066	0.098
Idaho	0.076	0.018	0.014
Maine	0.036	0.023	0.033
Montgomery Co. (Maryland)	0.000	0.026	-
Michigan	0.060	0.020	0.019
Montana	0.044	0.041	0.013
New Hampshire	-0.012	0.052	0.028
North Carolina	0.067	0.039	0.058
Ohio	0.052	0.013	0.017
Oregon	0.122	0.026	0.008
Pennsylvania	0.024	0.165	0.008
Utah	0.060	0.261	0.038
Vermont	0.031	0.021	0.025
Virginia	0.084	0.059	0.026
Iowa	0.061	0.068	0.018
Mississippi	0.042	0.069	0.040
West Virginia	0.028	0.110	0.017
Wyoming	0.014	0.019	0.002

## Methods for Tables 5a and 5b (cont.)

**Table 5a- State-level spirits, wine and beer tax rates per standard drink of a brand at a typical %ABV and price.**

License States	Spirits (40%)	Wine (12%)	Beer (5%)
Alaska	0.150	0.098	0.101
Arizona	0.035	0.033	0.015
Arkansas	0.040	0.072	0.031
California	0.039	0.008	0.019
Colorado	0.027	0.013	0.008
Connecticut	0.063	0.028	0.023
Delaware	0.044	0.038	0.015
District of Columbia	0.031	0.067	0.042
Florida	0.076	0.088	0.045
Georgia	0.044	0.016	0.095
Hawaii	0.070	0.054	0.087
Illinois	0.100	0.054	0.022
Indiana	0.031	0.018	0.011
Kansas	0.029	0.035	0.031
Kentucky	0.060	0.174	0.099
Louisiana	0.029	0.004	0.030
Maryland	0.028	0.058	0.034
Massachusetts	0.047	0.021	0.010
Minnesota	0.068	0.047	0.035
Missouri	0.023	0.016	0.006
Nebraska	0.044	0.037	0.029
Nevada	0.042	0.027	0.015
New Jersey	0.064	0.034	0.011
New Mexico	0.071	0.066	0.038
New York	0.075	0.012	0.013
North Dakota	0.036	0.048	0.032
Oklahoma	0.065	0.028	0.038
Rhode Island	0.044	0.023	0.009
South Carolina	0.035	0.042	0.072
South Dakota	0.053	0.064	0.025
Tennessee	0.052	0.047	0.156
Texas	0.028	0.008	0.018
Washington	0.298	0.025	0.071
Wisconsin	0.039	0.010	0.006
<b>Control State Average</b>	<b>0.049</b>	<b>0.061</b>	<b>0.027</b>
<b>License State Average</b>	<b>0.058</b>	<b>0.042</b>	<b>0.038</b>

## Methods for Tables 5a and 5b (cont.)

**Table 5b: Tax Rates per Beverage Gallon (\$US) for Spirits, Wine and Beer 2012**

Control States	Spirits	Wine	Beer
Alabama	\$8.06	\$1.70	\$1.05
Idaho	6.48	0.45	0.15
Iowa	5.18	1.75	0.19
Maine	3.04	0.60	0.35
Michigan	5.08	0.51	0.20
Mississippi	3.62	1.77	0.43
Montgomery Co (Maryland)	0.01	0.67	-
Montana	3.74	1.06	0.14
New Hampshire	-1.06	1.34	0.30
North Carolina	5.72	1.00	0.62
Ohio	4.40	0.32	0.18
Oregon	10.44	0.67	0.08
Pennsylvania	2.09	4.22	0.08
Utah	5.15	6.67	0.41
Vermont	2.61	0.55	0.27
Virginia	7.16	1.51	0.28
West Virginia	2.38	2.82	0.18
Wyoming	1.20	0.48	0.02

## Methods for Tables 5a and 5b (cont.)

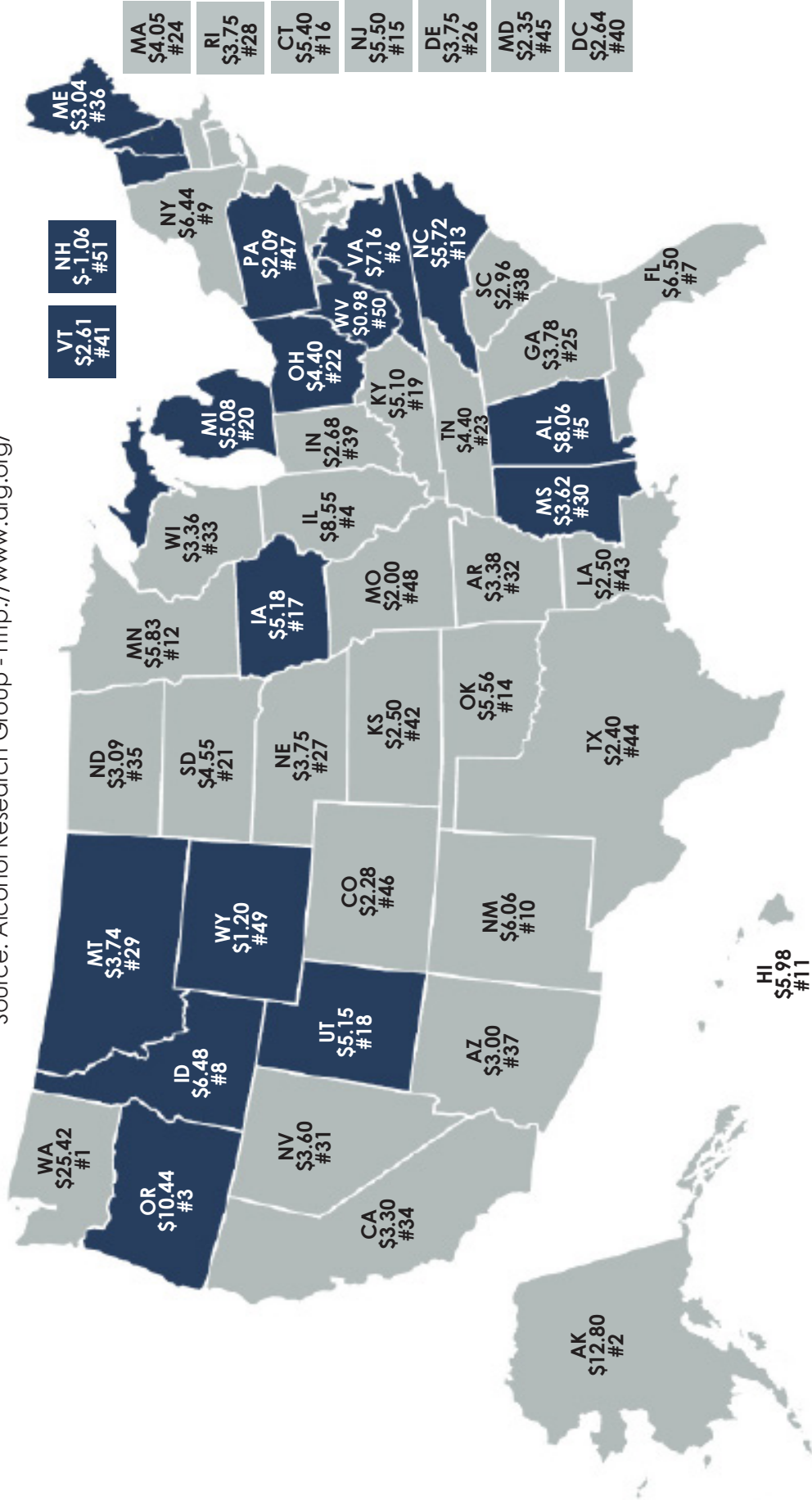
**Table 5b: Tax Rates per Beverage Gallon (\$US) for Spirits, Wine and Beer 2012**

License States	Spirits	Wine	Beer
Alaska	12.80	2.50	1.07
Arizona	3.00	0.84	0.16
Arkansas	3.38	1.83	0.33
California	3.30	0.20	0.20
Colorado	2.28	0.32	0.08
Connecticut	5.40	0.72	0.24
Delaware	3.75	0.97	0.16
District of Columbia	2.64	1.73	0.45
Florida	6.50	2.25	0.48
Georgia	3.78	0.42	1.01
Hawaii	5.98	1.38	0.93
Illinois	8.55	1.39	0.23
Indiana	2.68	0.47	0.12
Kansas	2.50	0.91	0.33
Kentucky	5.10	4.44	1.06
Louisiana	2.50	0.11	0.32
Maryland	2.35	1.47	0.36
Massachusetts	4.05	0.55	0.11
Minnesota	5.83	1.19	0.37
Missouri	2.00	0.42	0.06
Nebraska	3.75	0.95	0.31
Nevada	3.60	0.70	0.16
New Jersey	5.50	0.88	0.12
New Mexico	6.06	1.70	0.41
New York	6.44	0.30	0.14
North Dakota	3.09	1.22	0.34
Oklahoma	5.56	0.72	0.40
Rhode Island	3.75	0.60	0.10
South Carolina	2.96	1.08	0.77
South Dakota	4.55	1.66	0.27
Tennessee	4.40	1.21	1.66
Texas	2.40	0.20	0.19
Washington	25.42	0.65	0.76
Wisconsin	3.36	0.25	0.06
<b>Control State Average</b>	<b>\$4.18</b>	<b>\$1.56</b>	<b>\$0.29</b>
<b>License State Average</b>	<b>\$4.98</b>	<b>\$1.05</b>	<b>\$0.40</b>

# Map 1 State Spirits Excise Tax Rates (Dollars Per Gallon)

2012

Source: Alcohol Research Group - <http://www.arg.org/>



Control States  
License States

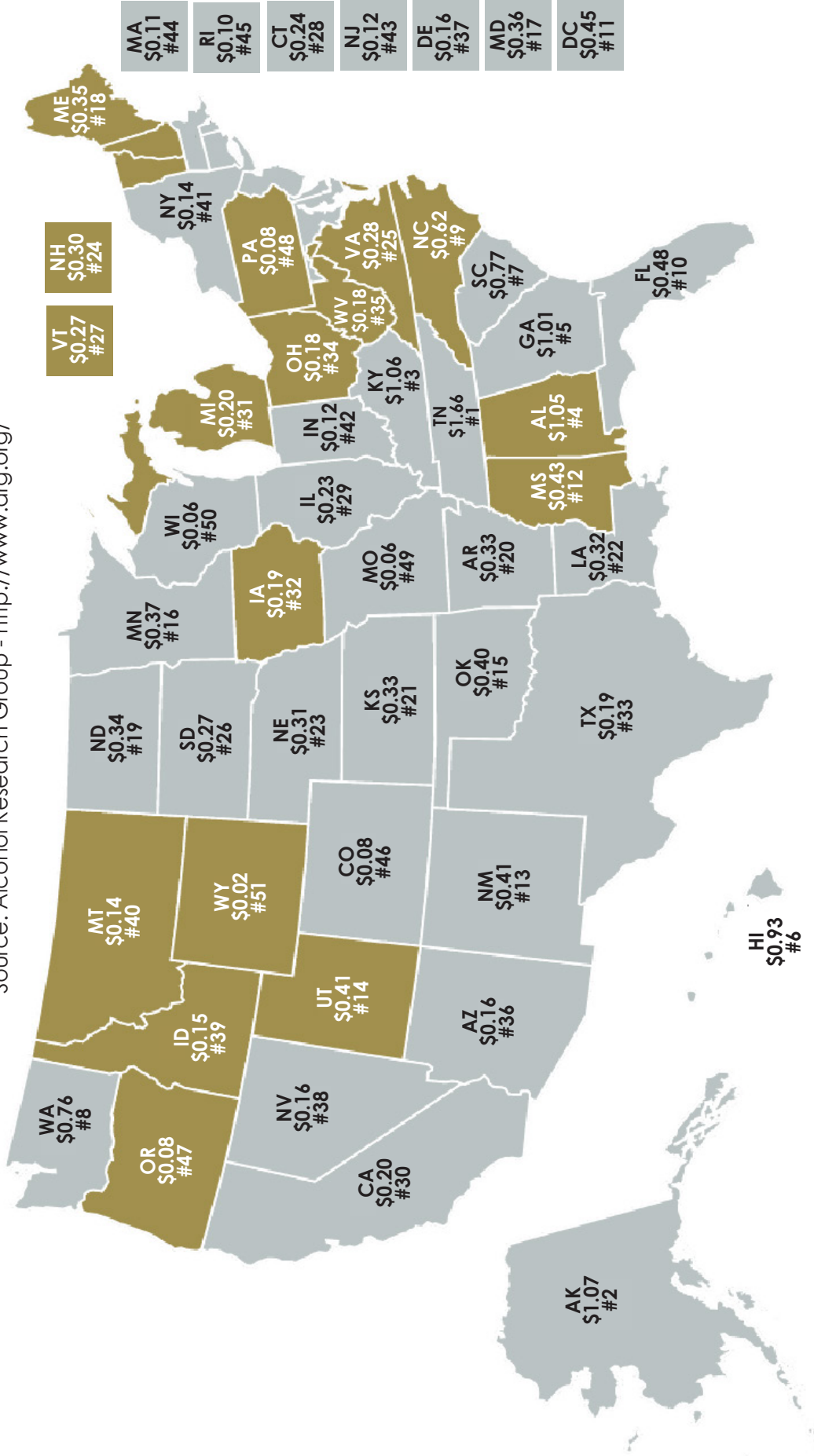


## Map 2

# State Beer Excise Tax Rates (Dollars Per Gallon)

2012

Source: Alcohol Research Group - <http://www.arg.org/>



Control States  
License States

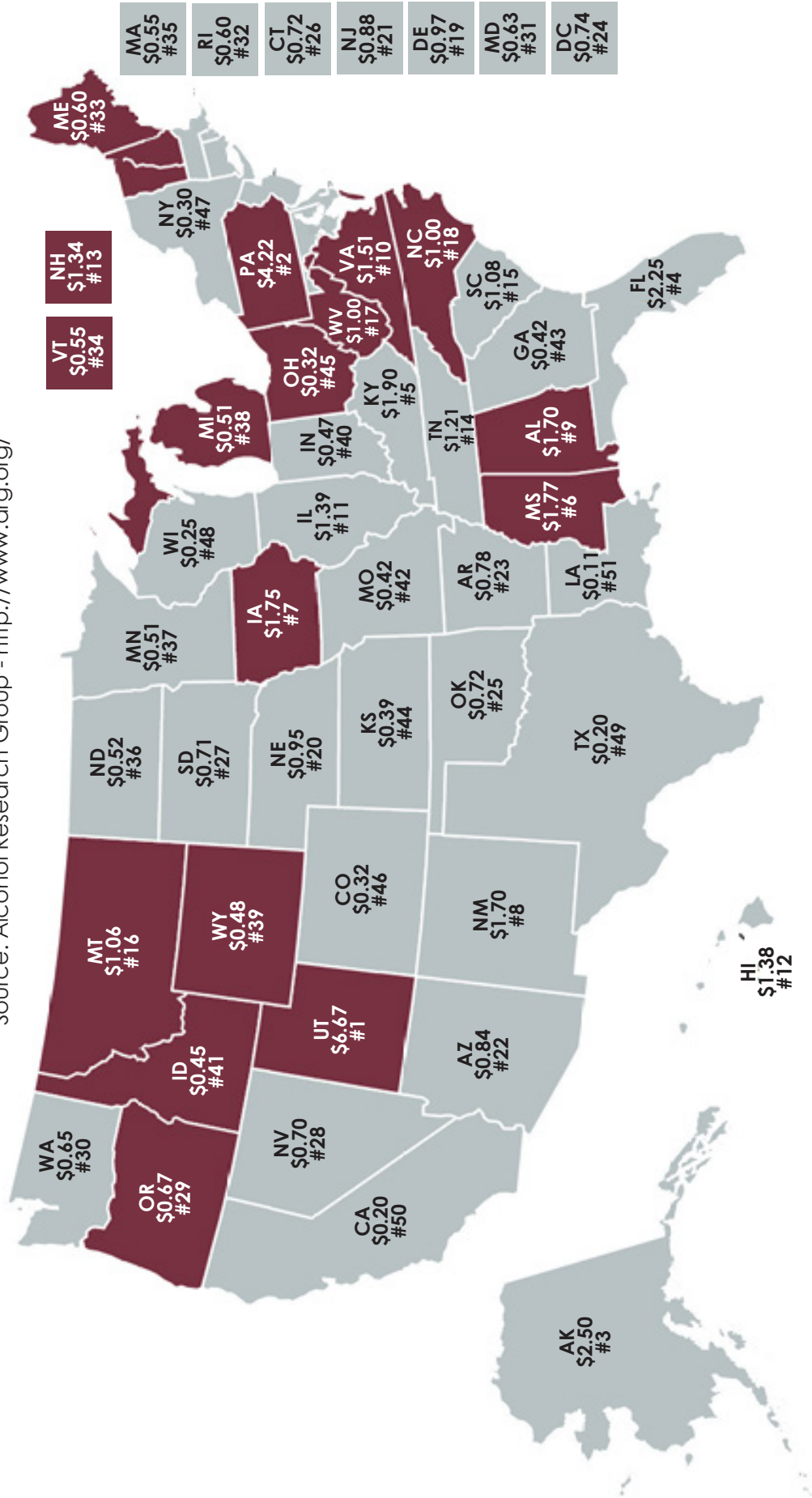


Map 3

State Wine Excise Tax Rates (Dollars Per Gallon)

2012

Source: Alcohol Research Group - <http://www.arg.org/>



Control States  
License States



## Methods for Tables 6 and 7: Revenues from Spirits and Wine

Before calculating per capita ethanol gallons, beverage gallons were converted to gallons of ethanol gallons using an average alcohol content of 37.67% for spirits. The average alcohol content of spirits was calculated by ARG using methods from a previous study based on brand level sales and %ABV in control states. (Kerr, 2006) *The Brewers Almanac* provided data on alcohol consumption. These results were then used to calculate the per capita consumption of those aged 15 years and older (the international standard for per capita alcohol statistics) in each state. The population aged 15 and older was calculated using U.S. Census data for 2012.

Revenue data were taken from 2012 fiscal year Annual Reports or Financial Statements from state Alcohol Beverage Control agencies or Tax Commissions. Revenues for states that were not available were estimated using tax rates per beverage gallon and shipments (apparent consumption). Revenues were calculated from the total amount of money a state collects from several sources: net profits, license fees, excise taxes and other income. Revenues from state sales taxes were not included as these taxes apply to all products.

Revenue per ethanol gallon and revenue per capita were calculated using data from the sources described above.

**Table 6: State revenues per gallon of ethanol sold and per capita (ages 15+) from distilled spirits sales for 2012**

States	Estimated Tax Rate	Per Capita Ethanol Gallons	Total Revenue (\$1000)	Revenue per Ethanol Gallon	Revenue Per Capita
<b>Retail Control</b>					
Alabama	8.06	0.55	120,597	56.69	31.35
Idaho	6.48	0.70	55,465	66.08	45.93
Maine	3.04	0.83	22,676	24.70	20.51
Michigan	5.08	0.79	293,649	46.81	36.82
Montana	3.74	0.85	33,515	49.21	41.63
Montgomery Co	0.01	-	11,535	-	14.81
New Hampshire	-1.06	1.78	89,974	46.65	82.98
North Carolina	5.72	0.55	304,663	72.31	39.90
Ohio	4.40	0.59	251,400	45.68	27.05
Oregon	10.44	0.80	174,867	70.16	56.16
Pennsylvania	2.09	0.61	298,144	47.10	28.59
Utah	5.15	0.47	98,428	100.26	48.66
Vermont	2.61	0.67	18,844	54.33	36.13
Virginia	7.16	0.57	253,011	68.41	39.12
<b>Wholesale Control</b>					
Iowa	5.18	0.73	96,401	54.21	39.47
Mississippi	3.62	0.66	63,972	41.11	27.31
West Virginia	2.38	0.43	21,011	31.86	13.70
Wyoming	1.19	1.03	8,436	18.14	18.74

## Methods for Tables 6 and 7: Revenues from Spirits and Wine (cont.)

**Table 6: State revenues per gallon of ethanol sold and per capita (ages 15+) from distilled spirits sales for 2012**

License States	Estimated Tax Rate	Per Capita Ethanol Gallons	Total Revenue (\$1000)	Revenue per Ethanol Gallon	Revenue Per Capita
Alaska	12.80	1.14	20,139	31.92	36.32
Arizona	3.00	0.76	31,847	8.28	6.33
Arkansas	3.38	0.62	9,198	6.43	3.96
California	3.30	0.69	180,561	8.82	6.09
Colorado	2.28	0.99	24,819	6.24	6.20
Connecticut	5.40	0.83	34,942	14.55	12.01
Delaware	3.75	1.43	14,559	13.93	19.98
DC	2.64	1.40	2,884	3.98	5.57
Florida	6.50	0.90	232,633	16.63	14.99
Georgia	3.78	0.63	53,665	11.12	7.05
Hawaii	5.98	0.70	12,335	15.87	11.13
Illinois	8.55	0.70	165,870	23.18	16.17
Indiana	2.68	0.69	25,693	7.23	4.99
Kansas	2.50	0.65	10,040	6.86	4.47
Kentucky	5.10	0.62	41,051	18.96	11.76
Louisiana	2.50	0.79	20,274	7.14	5.62
Maryland	2.35	0.87	15,970	3.94	3.42
Massachusetts	4.05	0.83	46,349	10.36	8.60
Minnesota	5.83	1.02	58,540	13.59	13.80
Missouri	2.00	0.81	20,621	5.30	4.29
Nebraska	3.75	0.79	11,801	10.39	8.18
Nevada	3.60	1.19	25,149	9.81	11.71
New Jersey	5.50	0.83	86,508	14.60	12.19
New Mexico	6.06	0.70	18,925	16.53	11.62
New York	6.44	0.69	174,962	16.01	11.04
North Dakota	3.09	1.21	4,585	6.93	8.36
Oklahoma	5.56	0.63	27,845	14.76	9.36
Rhode Island	3.75	0.87	6,665	8.76	7.65
South Carolina	2.96	0.74	21,669	7.86	5.81
South Dakota	4.55	0.92	7,372	12.47	11.43
Tennessee	4.40	0.62	38,300	12.13	7.50
Texas	2.40	0.58	71,388	6.35	3.68
Washington	25.42	0.71	241,715	63.05	44.62
Wisconsin	3.36	1.08	44,838	9.02	9.78

## Methods for Tables 6 and 7: Revenues from Spirits and Wine (cont.)

**Table 7: State revenues per gallon of ethanol sold and per capita (ages 15+) from wine sales for 2012**

States	Estimated Tax Rate	Per Capita Ethanol Gallons	Total Revenue (\$1000)	Revenue per Ethanol Gallon	Revenue Per Capita
<b>Wholesale or Retail Control</b>					
Mississippi	1.77	0.10	12,242	50.53	5.23
Montgomery Co	0.67	-	-	-	-
New Hampshire	1.34	0.70	39,665	52.59	36.58
Pennsylvania	4.22	0.21	102,771	48.02	9.86
Utah	6.67	0.13	34,491	99.09	17.05
Wyoming	0.48	0.20	5,542	61.27	12.31

License States	Tax Rate	Per Capita Ethanol Gallons	Total Revenue (\$1000)	Revenue per Ethanol Gallon	Revenue Per Capita
Alabama	1.70	0.21	11,874	14.43	3.09
Alaska	2.50	0.42	5,789	24.82	10.44
Arizona	0.84	0.37	15,431	8.26	3.07
Arkansas	1.83	0.16	2,766	7.60	1.19
California	0.20	0.52	32,315	2.10	1.09
Colorado	0.32	0.34	5,128	3.80	1.28
Connecticut	0.72	0.52	10,772	7.19	3.70
Delaware	0.97	0.52	4,118	10.95	5.65
DC	1.73	0.93	1,057	2.20	2.04
Florida	2.25	0.45	153,022	21.83	9.86
Georgia	0.42	0.23	35,124	20.12	4.61
Hawaii	1.38	0.48	6,411	12.05	5.79
Idaho	0.45	0.31	4,164	11.09	3.45
Illinois	1.39	0.37	48,789	12.89	4.76
Indiana	0.47	0.23	5,273	4.51	1.02
Iowa	1.75	0.17	7,286	17.46	2.98
Kansas	0.39	0.12	1,736	6.25	0.77
Kentucky	4.44	0.15	16,820	32.01	4.82
Louisiana	0.11	0.22	1,789	2.24	0.50
Maine	0.60	0.38	3,106	7.41	2.81
Maryland	1.47	0.33	6,009	3.92	1.29
Massachusetts	0.55	0.61	15,638	4.77	2.90

## Methods for Tables 6 and 7: Revenues from Spirits and Wine (cont.)

**Table 7: State revenues per gallon of ethanol sold and per capita (ages 15+) from wine sales for 2012**

License States	Tax Rate	Per Capita Ethanol Gallons	Total Revenue (\$1000)	Revenue per Ethanol Gallon	Revenue Per Capita
Michigan	0.51	0.29	11,101	4.84	1.39
Minnesota	1.19	0.31	5,920	4.50	1.40
Missouri	0.42	0.26	5,568	4.40	1.16
Montana	1.06	0.31	3,123	12.44	3.88
Nebraska	0.95	0.19	3,036	11.14	2.10
Nevada	0.70	0.56	9,030	7.56	4.21
New Jersey	0.88	0.54	29,603	7.69	4.17
New Mexico	1.70	0.26	6,914	16.46	4.24
New York	0.30	0.43	19,143	2.82	1.21
North Carolina	1.00	0.25	22,222	11.69	2.91
North Dakota	1.22	0.19	617	5.83	1.13
Ohio	0.32	0.26	11,019	4.64	1.19
Oklahoma	0.72	0.17	3,177	6.29	1.07
Oregon	0.67	0.46	9,575	6.76	3.08
Rhode Island	0.60	0.49	2,088	4.88	2.40
South Carolina	1.08	0.23	7,953	9.43	2.13
South Dakota	1.66	0.19	750	6.20	1.16
Tennessee	1.21	0.20	12,764	12.59	2.50
Texas	0.20	0.20	11,086	2.91	0.57
Vermont	0.55	0.61	1,798	5.66	3.45
Virginia	1.51	0.39	33,458	13.43	5.17
Washington	0.65	0.49	23,400	8.82	4.32
West Virginia	2.38	0.09	4,282	31.03	2.79
Wisconsin	0.25	0.33	3,505	2.31	0.76

## Methods for Table 8: comparison of tax rates and revenues from spirits and beer.

Tax rates are taken from Table 5a and revenues for spirits are from Table 6. Beer revenues are taken from state reports as described under Methods for Table 6 and 7 or estimated from beer tax rates and gallons of beer sold from *The Brewers Almanac*.

**Table 8: Within state comparison of tax rates per standard drink and revenues per gallon of ethanol for spirits and beer.**

States	SPIRITS		BEER	
	Estimated Tax Rate (40% abv)	Spirits Revenue per Ethanol Gallon	Estimated Tax Rate (5% abv)	Beer Revenue per Ethanol Gallon
<b>Wholesale and Retail Control</b>				
Alabama	0.094	56.69	0.098	11.75
Idaho	0.076	66.08	0.014	3.17
Maine	0.036	24.70	0.033	8.18
Michigan	0.060	46.81	0.019	4.84
Montana	0.044	49.21	0.013	3.21
Montgomery Co	0.000	-	-	-
New Hampshire	-0.012	46.65	0.028	5.57
North Carolina	0.067	72.31	0.058	14.29
Ohio	0.052	45.68	0.017	4.27
Oregon	0.122	70.16	0.008	1.93
Pennsylvania	0.024	47.10	0.008	2.22
Utah	0.060	100.26	0.038	37.93
Vermont	0.031	54.33	0.025	8.66
Virginia	0.084	68.41	0.026	6.48
<b>Wholesale Control</b>				
Iowa	0.061	54.21	0.018	4.69
Mississippi	0.042	41.11	0.040	10.00
West Virginia	0.028	23.89	0.017	3.95
Wyoming	0.014	18.14	0.002	0.47

## Methods for Table 8: comparison of tax rates and revenues from spirits and beer. (cont.)

States	SPIRITS		BEER	
	Estimated Tax Rate (40% abv)	Spirits Revenue per Ethanol Gallon	Estimated Tax Rate (5% abv)	Beer Revenue per Ethanol Gallon
Alaska	0.150	31.92	0.101	20.72
Arizona	0.035	8.28	0.015	3.64
Arkansas	0.040	6.43	0.031	5.58
California	0.039	8.82	0.019	4.55
Colorado	0.027	6.24	0.008	1.86
Connecticut	0.063	14.55	0.023	5.63
Delaware	0.044	13.93	0.015	3.60
DC	0.031	3.98	0.042	2.17
Florida	0.076	16.63	0.045	14.68
Georgia	0.044	11.12	0.095	11.26
Hawaii	0.070	15.87	0.087	21.83
Illinois	0.100	23.18	0.022	5.54
Indiana	0.031	7.23	0.011	2.70
Kansas	0.029	6.86	0.031	4.10
Kentucky	0.060	18.96	0.099	18.85
Louisiana	0.029	7.14	0.030	7.59
Maryland	0.028	3.94	0.034	2.16
Massachusetts	0.047	10.36	0.010	2.52
Minnesota	0.068	13.59	0.035	3.45
Missouri	0.023	5.30	0.006	1.42
Nebraska	0.044	10.39	0.029	7.46
Nevada	0.042	9.81	0.015	3.76
New Jersey	0.064	14.60	0.011	2.82
New Mexico	0.071	16.53	0.038	9.94
New York	0.075	16.01	0.013	3.32
North Dakota	0.036	6.93	0.032	3.77
Oklahoma	0.065	14.76	0.038	9.39
Rhode Island	0.044	8.76	0.009	2.12
South Carolina	0.035	7.86	0.072	18.08
South Dakota	0.053	12.47	0.025	6.62
Tennessee	0.052	12.13	0.156	3.58
Texas	0.028	6.35	0.018	4.07
Washington	0.298	63.05	0.071	15.12
Wisconsin	0.039	9.02	0.006	4.02
<b>Control State Average</b>	<b>0.049</b>	<b>52.10</b>	<b>0.027</b>	<b>7.741</b>
<b>License State Average</b>	<b>0.058</b>	<b>13.03</b>	<b>0.038</b>	<b>6.997</b>

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## APPENDIX

### Calculated Retail Prices for Each State Using State Formulas

The tables below present calculations of the estimated retail price of a 1.75L product using a computed average FOB price (\$12.50) from the NABCA Sam ProDiver for year 2012. The table gives the general calculation and may include minor notes/details that are not reflected here. The tax estimation is based on the calculated retail price (in bold) per bottle.

The calculation uses mark-up/tax procedures based on the *NABCA Survey Book (2012)* and through correspondence with state Alcohol Beverage Control personnel. Maine did not have a state formula in the *Survey Book*, nor were we able to get a response from a representative from Maine Alcohol Control Board. Therefore, we used actual prices from the NABCA SAM ProDiver database in our tax estimates.

### ALABAMA

<b>FOB - 12.50</b>	<b>amount per case (\$)</b>	<b>amount per bottle (\$)</b>
Delivered case cost	75.00	12.50
Freight to stores	0.90	
Mark-up (30%)	22.77	
Intermediate price	98.67	
56% liquor tax	55.26	
Wine per liter charge (\$0.45 per liter)	0.00	
Case price	153.93	
Calculated retail price	153.93	25.65

### IDAHO

<b>FOB - \$12.50</b>	<b>amount per case (\$)</b>	<b>amount per bottle (\$)</b>
Cost per bottle (rounded to two decimal places)	75.00	12.50
Multiply \$8.27 times Value Markup (1.87)		15.46
Multiply \$4.16 times Popular Markup (1.78)		7.40
Multiply \$0.07 times Premium Markup (1.68)		0.12
Multiply \$0.00 times Super Premium Markup (1.54)		0.00
Total cost after combining all mark-ups:		22.99
Handling charge for a 1750 ml bottle is: \$1.00		23.99
Single bottle charge does not apply to this product.		23.99
Special handling charge does not apply to this product.		23.99
Mandated 2% drug court surcharge (\$0.48)		24.47
<b>Rounded to 2 decimal places:</b>		<b>0.48</b>
Round price up to nearest nickel.		24.50
Cost per bottle:		24.50

## APPENDIX (cont.)

### IOWA

<b>FOB - \$12.50</b>	<b>amount per case (\$)</b>	<b>amount per bottle (\$)</b>
Delivered case cost (FOB)	75.00	12.50
Mark-up @ 50% wholesale	37.50	
Bottle deposit & surcharge (\$0.05 per bottle)	0.30	
Bottle reclamation fee (\$0.04 per bottle)	0.24	
State wholesale price	113.04	
24.5% average (?) retailer mark-up		
Sub-total	113.04	
Sales tax @5%		
Unit price	113.04	18.84
Retail case price calculated	113.04	18.84

### MAINE

	<b>amount per case (\$)</b>
FOB	75.00
Price per bottle	12.50
Retail price	21.99

### MONTGOMERY COUNTY, MARYLAND

<b>SPIRITS</b>	<b>amount per case (\$)</b>
Delivered case cost (FOB)	75.00
State tax (1.50/gallon)	4.16
Wholesale mark-up (27%)	21.37
Wholesale case price	100.53
Wholesale bottle price	16.76
Retail mark-up @ 18%	18.10
Retail case price	118.63
Retail bottle price	19.77

<b>WINE</b>	<b>amount per case (\$)</b>
Delivered case cost (FOB)	84.00
State tax (0.40/gallon)	0.95
Wholesale mark-up (35%)	29.73
Wholesale case price	114.68
Wholesale bottle price	9.56
Retail mark-up @ 18%	20.64
Retail case price	135.33
Retail bottle price	11.28

# APPENDIX (cont.)

## MICHIGAN

	amount per case (\$)	amount per bottle (\$)
FOB	75.00	12.50
Base price (using mark-up @65%)		20.63
4% Convention and facilities tax (on base price)		0.83
4% School aid fund (on base price)		0.83
4% General fund ((on base price)		0.83
1.85% substance abuse tax		0.38
Total liquor tax		2.86
License profit through discount		
Minimum shelf price		23.48

## MISSISSIPPI

### SPIRITS

	amount per case (\$)
FOB	75.00
Freight	5.00
Mark-up @27.5%	20.63
Subtotal	100.63
Excise tax based on gallonage \$2.50/gallon)	6.93
Subtotal 2	107.56
Sales tax @7%	
Case price	107.56
Bottle price	<b>17.93</b>

### WINE

	amount per case (\$)
FOB	84.00
Freight	5.00
Markup @27.5%	23.10
Subtotal	112.10
Excise tax based on gallonage 0.35c/ gallon)	0.83
Subtotal 2	112.93
Sales tax @7%	
Case price	112.93
Bottle price	<b>9.41</b>

# APPENDIX (cont.)

## MONTANA

	<b>amount per case (\$)</b>
Delivered case cost	75.00
Freight to stores	1.52
MarkUp 40%	30.61
26% tax (Liquor excise tax 16%) (License tax 10%)	27.85
Case price	134.98
Bottle price	22.50
Round to nearest nickel	22.50

## NEW HAMPSHIRE

<b>SPIRITS</b>	<b>amount per case (\$)</b>
Delivered case cost	75.00
Bailment	1.20
Bottle cost	12.70
Bottle mark-up (46.5%)	18.61
Round per state formula	18.99

<b>WINE</b>	<b>amount per case (\$)</b>
Delivered case cost	84.00
Bailment	1.20
Bottle cost	7.10
Bottle mark-up (57%)	11.15
Round per state formula	11.49

# APPENDIX (cont.)

## NORTH CAROLINA

	amount per case (\$)
FOB	75.00
Bailment charges	1.60
Sub-total case cost	76.60
Local ABC board mark-up (39%)	29.87
Sub-total case cost 2	106.47
State excise tax (30%)	31.94
Additional markup (on subtotal 2)	3.73
Case cost (to 6 decimal place)	142.142790
Bailment surcharge	0.80
Case cost	142.94
Bottles in case cost	23.82
Bottle charge	0.05
Additional bottle charge	0.05
Bottle price	23.92
Retail price per bottle (round to nearest five cents)	23.95
Selling price to individual (+ 7% tax)	

## OHIO

	amount per case (\$)
Delivered case cost	75.00
Freight case cost	0.99
Operating cost factor @ 12.35%	9.38
Total cost of operation	85.37
Mark-up @30% margin=42.86%	36.59
Liquor gallonage tax @ \$3.38 per gallon	9.38
Intermediate price	131.34
User charge @5%	6.57
Retail BASE price	137.91
Retail sales tax @5%	0.00
Case price before rounding	137.91
Bottle price	22.99

# APPENDIX (cont.)

## OREGON

	<b>amount per case (\$)</b>
FOB	75.00
Case add on amount	0.00
Intermediate case price mark-up factor (x2.131)	159.83
Freight	1.40
Case price	161.23
Bottle price	26.87
Rounded to nearest \$.05	26.90
Per bottle surcharge	0.50
New bottle price	27.40

## PENNSYLVANIA

<b>SPIRITS</b>	<b>amount per case (\$)</b>
Delivered case cost	75.00
Price per bottle + 1% and rounded up	12.63
Mark-up @30%	3.79
PLCB operational cost	1.55
Intermediate price	17.96
State tax @ 18%	3.23
Bottle price	21.20
Rounded to the final nine	21.29
Sales and use tax @ 6.21%	
Total bottle price	21.29

<b>WINE</b>	<b>amount per case (\$)</b>
Delivered case cost	84.00
Price per bottle + 1% and rounded up	7.07
Mark-up @30%	2.12
PLCB operational cost	1.30
Intermediate price	10.49
State tax @ 18%	1.89
Bottle price	12.38
Rounded to the final nine	12.39
Sales and use tax @ 6.21%	
Total bottle price	12.39

# APPENDIX (cont.)

## UTAH

### SPIRITS

#### amount per case (\$)

Fob	75.00
Freight	0.90
Intermediate cost	75.90
Mark-up factor of 86%	65.274
Overall case retail	141.17
Raw unit retail	23.53
Bottle Price	23.53

### WINE

#### amount per case (\$)

Fob	84.00
Freight	0.90
Intermediate cost	84.90
Mark-up factor of 86%	73.01
Overall case retail	157.91
Raw unit retail	13.16
Bottle price	13.16

## VERMONT

#### amount per case (\$)

Delivered case cost	75.00
Bottles (.05/bottle)	0.30
Mark-up (72.7%*)	130.04
Retail price	21.67

\* Calculated weighted average mark-up % across categories.

## APPENDIX (cont.)

### VIRGINIA

	<b>amount per case (\$)</b>
Delivered case cost	75.00
Standard handling fee	1.00
Times factor (mark-up)	124.64
Divide by 6 (6 bottles per case)	20.77
Rounded to next highest \$.05 multiple	20.80
Plus 20% state tax	4.16
Shelf and licensee bottle price	24.96
Shelf price rounded to next highest \$.05 multiple	25.00

### WEST VIRGINIA

	<b>amount per case (\$)</b>	<b>amount per bottle (\$)</b>
FOB price	75.00	12.50
Mark-up @ 28%	21.00	
Per case delivery fee	2.30	
Delivered case cost to retailer	98.30	16.38

*A 5% tax is also added at the retail level and this is estimated as \$0.65 per bottle and added to the tax per bottle in Table 1.*

# APPENDIX (cont.)

## WYOMING

### SPIRITS

#### amount per case (\$)

FOB price	75.00
Incoming freight*	3.20
Inventory cost (sub-total)	78.20
Mark-up @ 17.6% rounded to full penny	13.76
Outgoing freight (per case)	4.50
State excise tax	2.61
Case price to retailer	99.07
Bottle price	16.51

### WINE

#### amount per case (\$)

FOB price	84.00
Incoming freight*	3.20
Inventory cost (sub-total)	87.20
Mark-up @ 17.6% rounded to full penny	15.35
Outgoing freight (per case)	4.50
State excise tax	0.67
Case price to retailer	107.72
Bottle price	8.98



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