



OLR RESEARCH REPORT

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TAXES ON ALCOHOLIC BEVERAGES

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You asked for (1) a history of increases in taxes on alcoholic beverages in Connecticut, (2) the alcoholic beverage tax rates in surrounding states, and (3) whether any surrounding states have recently increased their alcoholic beverage taxes.

SUMMARY

Since 1968, Connecticut has increased its excise tax on alcoholic beverages three times, including the 20% increase that took effect on July 1, 2011. The tax was last increased in 1989, when the legislature doubled the tax on beer, wine, and liquor. During that time, Connecticut also reduced taxes on two subcategories of alcohol: (1) wine with 21% alcohol or less produced by small wineries and (2) low-alcohol liquor coolers.

A comparison of Connecticut's current per-gallon alcoholic beverage taxes with those of eight other states in the region shows that Connecticut ranks in the top half of the nine states in its taxes on beer, liquor, and wine. Since 2008, three other states in the region (Maine, New Jersey, and New York) have increased their state alcoholic beverage taxes. Maine's increase was subsequently repealed by voters in a referendum. Among the states bordering Connecticut, Massachusetts and Rhode Island have made no changes in their alcoholic beverage taxes since 2000.

Like the majority of its surrounding states, Connecticut also imposes sales taxes on alcohol sales. Among the eight surrounding states, Vermont and Massachusetts do not apply state sales tax to alcohol sales and New Hampshire has no sales tax. Alcohol sales in Massachusetts were subject to sales tax from August 1, 2009 to December 31, 2010, but a November 2010 voter referendum repealed that law.

CONNECTICUT'S ALCOHOLIC BEVERAGE TAX

Connecticut imposes an excise tax on beer, wine, and distilled spirits. The tax is based on volume: per barrel, fraction of a barrel, or wine gallon (128 ounces) for beer; per wine gallon for wine; and either per wine gallon or per proof gallon for distilled spirits. Since July 1, 1968, Connecticut has raised the tax three times. Taxes on most types of alcohol were raised by 20% as of August 1, 1983; 100% as of March 23, 1989; and 20% as of July 1, 2011.

Connecticut has also reduced taxes on two categories of alcoholic beverages since 1968: (1) wine with no more than 21% alcohol produced by someone who produces a maximum of 55,000 wine gallons per year and (2) liquor coolers with no more than 7% alcohol. Even with the most recent 20% across-the-board increase effective with sales on or after July 1, 2011, alcohol taxes on those two categories are currently lower than they were on July 1, 1968 (see Table 1).

Table 1: Connecticut Alcoholic Beverage Tax Rates, 1968 to Present

<i>Alcoholic Beverage</i>	<i>Unit Taxed</i>	<i>July 1, 1968 to July 31, 1983</i>	<i>August 1, 1983 to March 22, 1989</i>	<i>March 23, 1989 to June 30, 2011</i>	<i>July 1, 2011 to Present</i>
BEER AND CIDER					
Beer and cider with no more than 7% alcohol	Barrel	\$2.50	\$3.00	\$6.00	\$7.20
	½ Barrel	1.25	1.50	3.00	3.60
	¼ Barrel	0.625	0.75	1.50	1.80
	Wine gallon* or fraction under ¼ barrel	0.08	0.10	0.20	0.24
WINE					
Still wines with no more than 21% alcohol	Wine gallon*	0.25	0.30	0.60	0.72
Still wines with no more than 21% alcohol produced by a person producing no more than 55,000 wine gallons annually	Wine gallon*	0.25	0.30	0.15†	0.18
Still wines with more than 21% alcohol	Wine gallon*	0.625	0.75	1.50	1.80
Sparkling wines					

Table 1:-Continued-

<i>Alcoholic Beverage</i>	<i>Unit Taxed</i>	<i>July 1, 1968 to July 31, 1983</i>	<i>August 1, 1983 to March 22, 1989</i>	<i>March 23, 1989 to June 30, 2011</i>	<i>July 1, 2011 to Present</i>
LIQUOR AND LIQUOR COOLERS					
Liquor	Wine gallon*	2.50	3.00	4.50	5.40
Alcohol – more than 100 proof	Proof gallon*	2.50	3.00	4.50	5.40
Liquor coolers with no more than 7% alcohol by volume	Wine gallon*	2.50	1.35‡	2.05	2.46

* A wine gallon is 128 ounces. A proof gallon is a measurement based on volume and alcohol content.

† Rate effective May 19, 1993

‡ Rate effective July 1, 1987

SURROUNDING STATES' TAXES ON ALCOHOLIC BEVERAGES

Current Tax Rates

The best way to compare state excise taxes on alcoholic beverages is on a per-gallon basis. Table 2 shows per-gallon taxes on beer, wine, and liquor (distilled spirits) in Connecticut; other New England states; and New York, New Jersey, and Pennsylvania.

The comparison shows that Connecticut's tax on beer is the fourth highest. It is lower than in Maine, New Hampshire, and Vermont, but higher than in our border states of New York, Massachusetts, and Rhode Island. Connecticut's tax on wine is the second highest in the region after New Jersey's and its tax on liquor is the third highest behind New York and New Jersey.

Six of the nine states, including Connecticut, also apply state sales tax to alcohol purchases. Table 2 shows the alcoholic beverage and sales taxes that apply to beer, wine, and liquor purchases in each state.

Table 2: Taxes on Alcoholic Beverages in Connecticut and Neighboring States

State	Per-Gallon Excise Tax			State Sales Tax
	Beer	Wine	Liquor	
Connecticut	\$0.24	\$0.72	\$5.40	6.35%
Maine	0.25 ¹	0.30 ¹	²	5.0%
Massachusetts	0.11	0.55	4.05	Not applicable ³
New Hampshire	0.30	²	²	No sales tax
New Jersey	0.12	0.88	5.50	7.0%
New York	0.14	0.30	6.44	4.0%
Pennsylvania	0.08	²	²	6.0%
Rhode Island	0.11	0.60	3.75	7.0%
Vermont	0.27	0.55	²	Not applicable

¹ Maine also imposes additional per-gallon taxes of 10¢ for beer, 30¢ for wine, and \$1.25 for distilled spirits.

² State controls all sales directly. Revenue is generated from other taxes, fees, and net profits.

³ Massachusetts' sales tax on alcoholic beverages was repealed by voter referendum, effective with sales on or after January 1, 2011.

Sources: Tax Foundation, Federation of Tax Administrators, Commerce Clearinghouse

Recent Alcoholic Beverage Tax Rate Increases

Compilations of alcoholic beverage tax rates dating back to 2000 by the Federation of Tax Administrators show that, since 2008, Connecticut, Maine, New Jersey, and New York have increased alcohol taxes on beer, wine, or liquor. The Maine legislature increased taxes on beer and wine in April 2008, but the increase was repealed by voters in a referendum on November 4, 2008. In 2009, New Jersey raised taxes on wine and liquor and New York increased taxes on beer and wine. Table 3 compares these tax increases on a per-gallon basis.

Table 3: Alcoholic Beverage Tax Increases in Connecticut and Neighboring States Since 2008

State	Per-Gallon Increase			Effective Date
	Beer	Wine	Liquor	
Connecticut	20 to 24 cents (20%)	60 to 72 cents (20%)	\$4.50 to \$5.40 (20%)	July 1, 2011
Maine	25 to 54 cents (116%)	30 to 65 cents (116%)	No change	April 2008 Repealed November 4, 2008
New Jersey	No change	70 to 87.5 cents (25%)	\$4.40 to \$5.50 (25%)	August 1, 2009
New York	11 to 14 cents (27%)	18.93 to 30 cents (58%)	No change	May 1, 2009

Sources: Federation of Tax Administrators; state tax department websites

JL/RP:ts