

Legislative Analysis



TAX ALCOHOL BY THE DRINK

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House Bill 5059

Sponsor: Rep. Marie Donigan

Committee: Tax Policy

Complete to 5-4-10

A SUMMARY OF HOUSE BILL 5059 AS INTRODUCED 6-9-09

The bill would allow, with voter approval, the levying of a per-drink tax on the sale of alcohol by on-premises licensees. The tax could not exceed 50 cents per drink. The tax could be levied within a county, city, or township. This would apply to beer, wine, and spirits.

To put the question before voters, petitions would have to be filed with the appropriate clerk signed by at least 20 percent of the total of number of voters in the local unit who voted for the office of Secretary of State in the most recent general election.

The clerk would then submit the question to voters at the next regular state election held in the governmental unit. A petition would have to be filed at least 60 days before the election. Such a ballot question could not be put before the voters more often than once in any four-year period.

The question would specify the amount of the per-drink tax. The effective date of the tax, if approved, would be 30 days after the board of canvassers determined a majority had voted for the tax. The clerk would have to give notice of the effective date of the tax by publishing the date at least once in a newspaper published in the affected governmental unit.

The bill would be an amendment to the Michigan Liquor Control Act (MCL 436.1116.)

FISCAL IMPACT:

In general, the bill would have an indeterminate fiscal impact on the state and local units of government. The bill would appear have no direct impact on state budgetary expenditures, as the bill does not explicitly impose any responsibilities on the Department of Energy, Labor, and Economic Growth–Liquor Control Commission, which has primary responsibility for enforcing state liquor laws, as the proposed drink tax is a purely local tax.

The bill would have an indeterminate, but potentially negative, impact on state revenue to the extent the imposition of an additional excise tax on liquor purchases adversely impacts consumption behavior, in terms of the volume of liquor consumed (sold) or the

type (price) of liquor consumed,¹ as the state imposes a series of taxes on sales of distilled spirits², beer³, wine⁴, and mixed-spirit drinks⁵ in the state, which are dependent on the quantity of sales or the amount of a particular product sold.

The bill would result in an indeterminate increase in local tax revenue. Given that the decision to adopt the drink tax is up to the local unit of government (and its voters), it is not known which local units would ultimately adopt the drink tax. Moreover, data on liquor purchases by on-premise licensees for resale "by the drink" is not immediately available from the Liquor Control Commission.

Additionally, there a number of technical and implementation questions that make the bill's ultimate impact hard to determine. These issues include: what constitutes a "drink" (is a pitcher of beer treated the same way as one glass)? What happens if a city and county both adopt a tax? What happens when cities and townships are in more than one county (Lansing, for instance)? How would the revenue collected by the local unit be distributed (with a countywide tax, would the county share its revenue with the local units)? How would the tax be collected and enforced by the local unit?

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

¹ A significant body of literature demonstrates that alcohol consumption is tied, inversely, to alcohol prices and taxes. See, for example, Frank J. Chaloupka, Michael Grossman, and Henry Saffer, *The Effects of Price on Alcohol Consumption and Alcohol-Related Problems*, Alcohol Research & Health, Vol. 26, No. 1 (2002), available at, [<http://pubs.niaaa.nih.gov/publications/arh26-1/22-34.pdf>]. See, also, Alexander C. Wagenaar, Matthew J. Salois, and Kelli A. Komro, *Effects of Beverage Alcohol Price and Tax Levels on Drinking: A Meta-Analysis of 1003 Estimates from 112 Studies*, Addiction, Vol. 104, Issue 2 (2009), available at, [<http://www3.interscience.wiley.com/cgi-bin/fulltext/121639213/PDFSTART>].

² This includes a series of excise taxes, including a 4.0% tax credited to the School Aid Fund (MCL 436.2203), a 4% tax credited to the General Fund (MCL 436.2201), a 4.0% tax credited to the Convention Facilities Development Fund (MCL 436.2207), and a 1.85% tax on off-premise sales.

³ \$6.30 per barrel (31 gallons) imposed on manufacturers (in-state) or wholesalers (out-of-state) credited to the General Fund (MCL 436.1409).

⁴ \$0.135 per liter for wines containing 16% or less of alcohol and \$0.20 per liter for wines containing more than 16% alcohol credited to the General Fund.

⁵ \$0.48 per liter, credited to the General Fund.