

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

An Act To Modernize the Alcohol Tax by Imposing It on a Per Drink Basis

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 28-A MRSA §1652, sub-§5 is enacted to read:

5. Inflation adjustment. The tax rates in subsections 1, 1-A and 2 are subject to an annual inflation adjustment pursuant to section 1705.

Sec. 2. 28-A MRSA §1703, sub-§3, as amended by PL 1997, c. 767, §6, is further amended to read:

3. Amount of premium. The premium imposed by subsections 1 and 2 is:

A. ~~Ten~~Eighty-two cents per gallon on all malt beverages and hard cider sold in the State;

B. ~~ThirtyTwo~~ dollars and twenty-six cents per gallon on all wine, other than fortified wine and sparkling wine, sold in the State;

C. ~~Twenty-four~~One dollar and fifty-six cents per gallon on all sparkling wine and all fortified wine sold in the State ~~and all low-alcohol spirits products sold by a person licensed to sell wine for consumption on or off the premises;~~ and

D. ~~One dollar and twenty-five~~Eight dollars and fifty-six cents per proof gallon as the term proof gallon is defined in the United States Code, Title 26, Section 5002, on all spirits sold in the State; ~~and~~

E. Seven cents per gallon on all low-alcohol spirits products sold by a person licensed to sell wine for consumption on or off the premises.

The tax rates in this subsection are subject to an annual inflation adjustment pursuant to section 1705.

Sec. 3. 28-A MRSA §1703, sub-§6 is enacted to read:

6. Distribution of funds. Notwithstanding any law to the contrary, the funds appropriated pursuant to subsection 5 to the Office of Substance Abuse above the amount appropriated to the office in fiscal year 2005-06 must be distributed by the office in the following manner:

A. Twenty-five percent of the increased amount must be used for substance abuse and prevention and treatment programs;

B. Five percent of the increased amount must be used for after-school programs; and

C. Seventy percent of the increased amount must be provided to municipalities to offset the costs of local law and liquor enforcement programs. A municipality that receives funds pursuant to this paragraph must use the savings to reduce the property tax burden.

Sec. 4. 28-A MRS §1705 is enacted to read:

§ 1705. Annual adjustment of tax rates

1. Generally. Beginning in 2008, and each calendar year thereafter, the excise taxes imposed upon malt beverages, low-alcohol spirits products and wines pursuant to section 1652, subsections 1, 1-A and 2 and the premium tax imposed on malt beverages, distilled spirits, low-alcohol spirits products and wines pursuant to section 1703, subsection 3 are subject to an annual rate of adjustment pursuant to this section. On or about February 15th of each year, the bureau shall calculate the adjusted rates by multiplying the rates in effect on the calculation date by an inflation index as computed in subsection 2. The adjusted rates must then be rounded to the nearest 1/10 of a cent and become effective on the first day of July immediately following the calculation. The bureau shall publish the annually adjusted tax rates and shall provide all necessary forms and reports to importers, distillers, wholesalers and others responsible for collection of these taxes.

2. Method of calculation; inflation index defined. The inflation index for 2007 is 1.00. Starting in 2008 and every year thereafter, the inflation index is the Consumer Price Index, as defined in Title 36, section 5402, subsection 1, for the calendar year ending on the December 31st immediately preceding the calculation date divided by the Consumer Price Index for the prior calendar year.

Sec. 5. Effective date. This Act takes effect January 1, 2008.

SUMMARY

Current taxes on beer and wine are imposed in 2 components, an excise tax and a premium tax. The excise tax goes to the General Fund; the premium tax supports a fund for the prevention of alcoholism.

This bill adjusts taxes on beer, wine, sparkling wine, fortified wine, hard cider and low-alcohol spirits products by establishing a uniform tax of 10¢ per drink. To accomplish this, the bill raises the premium tax on beer, hard cider and wine and reduces the premium tax on low-alcohol spirits products. This bill will significantly increase revenues for the prevention fund. Taxes on distilled spirits are unaffected by the bill.

The bill increases the premium tax on beer and hard cider from 10¢ per gallon to 82¢ per gallon. The premium tax on table wines increases from 30¢ per gallon to \$2.26 per gallon. The premium tax on fortified wines and sparkling wines increases from 24¢ to \$1.56 per gallon.

The premium tax on low-alcohol spirits products is reduced from 24¢ per gallon to 7¢ per gallon.

The tax on a 12-ounce can of beer will rise from 3.4¢ to 10¢. Tax on a 750-milliliter bottle of wine will rise from 12¢ to 67¢.

The bill indexes both the excise tax and the premium tax to inflation beginning in 2008. This provision will result in modest increases to both the General Fund and the prevention fund.

This bill also directs that increased premium tax revenues be used for substance abuse treatment and prevention programs, after-school programs and property tax relief, the latter by offsetting the cost of local law and liquor enforcement programs.

The bill establishes an effective date for the tax rate adjustments of January 1, 2008.