

MAINE STATE LEGISLATURE

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123rd MAINE LEGISLATURE

FIRST REGULAR SESSION-2007

Legislative Document

No. 1725

H.P. 1208

House of Representatives, March 23, 2007

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

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland

MILLICENT M. MacFARLAND

Clerk

Presented by Representative BARSTOW of Gorham.
Cosponsored by Senator STRIMLING of Cumberland and
Representatives: FARRINGTON of Gorham, GROSE of Woolwich, PERRY of Calais,
PINGREE of North Haven, WATSON of Bath, WEDDELL of Frankfort, Senators:
BARTLETT of Cumberland, MARRACHÉ of Kennebec.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

34 **Sec. 4. 28-A MRSA §1705** is enacted to read:

1 **§1705. Annual adjustment of tax rates**

2 **1. Generally.** Beginning in 2008, and each calendar year thereafter, the excise taxes
3 imposed upon malt beverages, low-alcohol spirits products and wines pursuant to section
4 1652, subsections 1, 1-A and 2 and the premium tax imposed on malt beverages, distilled
5 spirits, low-alcohol spirits products and wines pursuant to section 1703, subsection 3 are
6 subject to an annual rate of adjustment pursuant to this section. On or about February
7 15th of each year, the bureau shall calculate the adjusted rates by multiplying the rates in
8 effect on the calculation date by an inflation index as computed in subsection 2. The
9 adjusted rates must then be rounded to the nearest 1/10 of a cent and become effective on
10 the first day of July immediately following the calculation. The bureau shall publish the
11 annually adjusted tax rates and shall provide all necessary forms and reports to importers,
12 distillers, wholesalers and others responsible for collection of these taxes.

13 **2. Method of calculation; inflation index defined.** The inflation index for 2007 is
14 1.00. Starting in 2008 and every year thereafter, the inflation index is the Consumer Price
15 Index, as defined in Title 36, section 5402, subsection 1, for the calendar year ending on
16 the December 31st immediately preceding the calculation date divided by the Consumer
17 Price Index for the prior calendar year.

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

19 **SUMMARY**

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

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

28 The bill increases the premium tax on beer and hard cider from 10¢ per gallon to 82¢
29 per gallon. The premium tax on table wines increases from 30¢ per gallon to \$2.26 per
30 gallon. The premium tax on fortified wines and sparkling wines increases from 24¢ to
31 \$1.56 per gallon.

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

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

36 The bill indexes both the excise tax and the premium tax to inflation beginning in
37 2008. This provision will result in modest increases to both the General Fund and the
38 prevention fund.

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

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