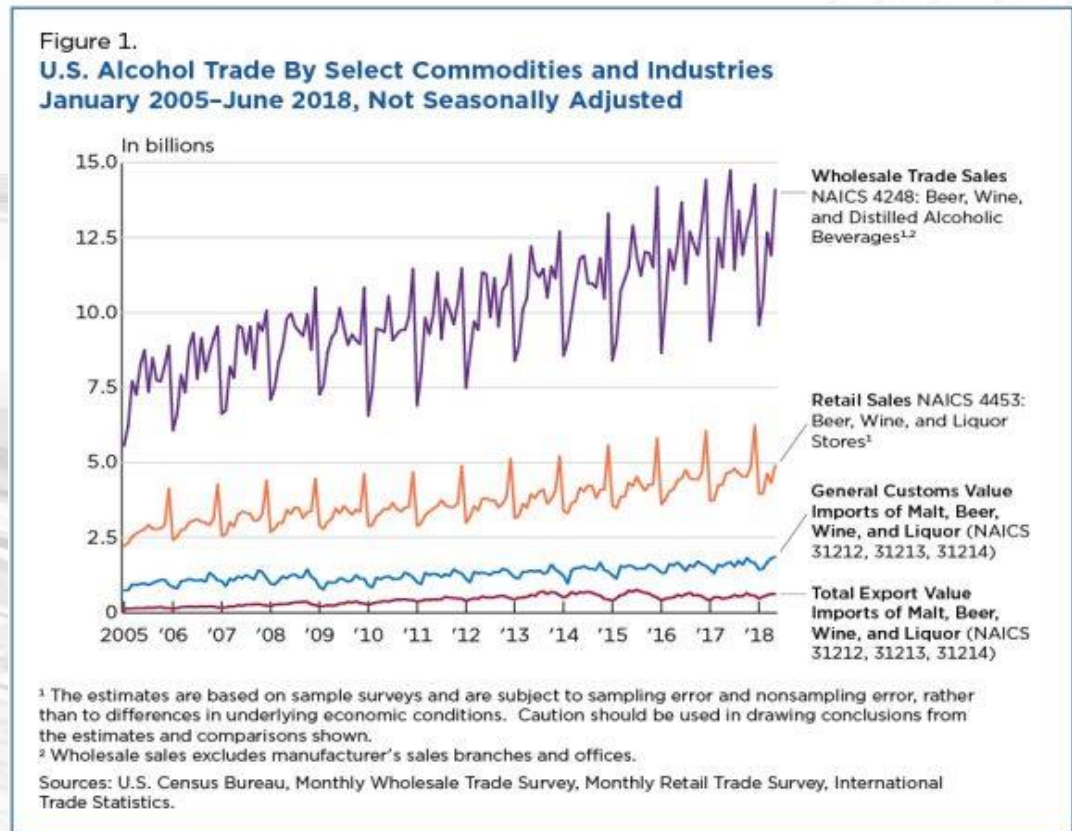


TRACKING ALCOHOL: ECONOMICS OF EXCISE TAXES

Alcohol in the United States



- In a recent study by the World Health Organization, the US ranked 48th in the world in terms of volume of alcohol consumption
- Americans spent **\$253.8 billion** on alcohol in 2018, up **\$12.4 billion** from 2017
- **Beer:** \$117.3 billion
- **Wine:** \$72.2 billion
- **Spirits:** \$64.3 billion



Graphic source: U.S. Census Bureau

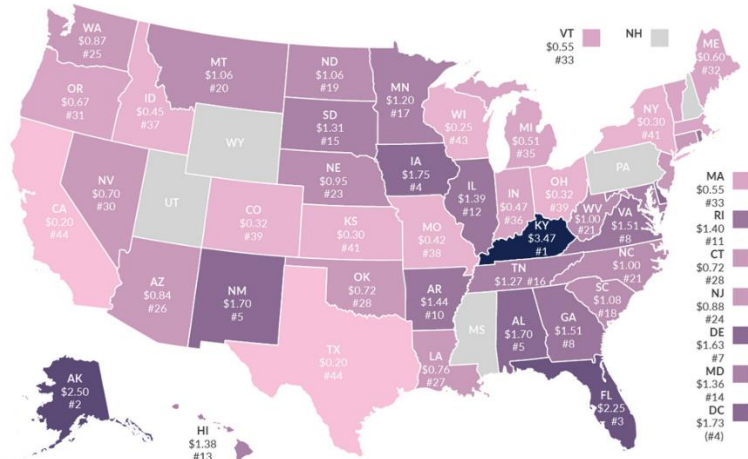
Alcohol Excise Taxes



- Excise taxes are narrowly based taxes on consumption, here on alcohol
- Federal alcohol excise taxes raised \$9.9 billion in 2017
 - ▣ Distilled spirits excise tax of \$13.50 per proof gallon, wine excise tax of \$1.07-\$3.40 per gallon, beer excise tax of \$18.00 per barrel (31 gallons)
- Most states also levy alcohol excise taxes, which vary significantly
 - ▣ Creates incentives for cross-border illegal importation from low- to high-tax states

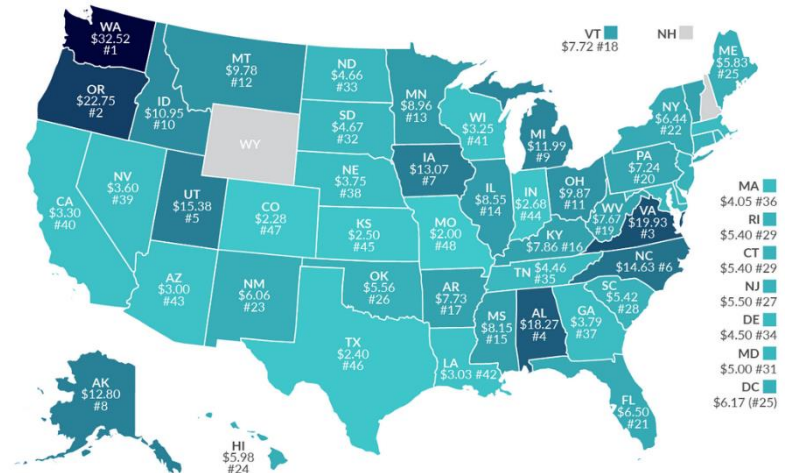
How High Are Wine Taxes in Your State?

State Wine Excise Tax Rates (Dollars Per Gallon), 2018



How High Are Spirits Taxes in Your State?

State Spirits Excise Tax Rates (Dollars per Gallon), 2018



what does **REMI** say? sm

Alcohol in New York



- NYS tied for 35th in alcohol consumption by state
 - ▣ 2.22 gallons per capita (approx. 44M gallons in 2017)
- NYS collected \$257,716,752 in excise tax in 2017

<u>Product</u>	<u>Tax rate</u>	
	New York State	New York City
Beer	\$0.14 per gallon	\$0.12 per gallon
Wine	\$0.30 per gallon	None
Spirits, more than 24% alcohol by volume	\$1.70 per liter	\$0.264 per liter
Spirits, 2-24% alcohol by volume	\$0.67 per liter	None
Spirits, less than 2% alcohol by volume	\$0.01 per liter	None
Cider	\$0.0379 per gallon	None

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Alcohol in New York



- States regulate manufacture and sale of alcohol, either by licensing businesses that make or sell alcohol or by controlling distribution
 - ▣ New York = Licensing State
- Under current New York State law, wholesalers can acquire wine and liquor from secondary sources, including importers from other nations
 - ▣ Hard to keep track of the supply of liquor and wine
- Difference in excise tax rates with New Hampshire has contributed noticeably to illegal importation into New York
 - ▣ This has generated many arrests and controversy within New Hampshire's Liquor Commission
- 2008 EIG report estimated \$27.8M in lost liquor, wine excise taxes for NYS
 - ▣ 13.6% revenue leakage

Proposed Legislation



- Pending legislation in New York State would amend the state's alcoholic beverage control law to require a primary American source of supply for liquor and wine sold in the state
- A primary source is the manufacturer of the liquor or wine, or the next closest source in the supply chain
- The primary American source of supply or its exclusive agent would be required to file the names of each authorized wholesaler allowed to sell each brand of liquor or wine sold in NYS, according to proposed legislation
 - ▣ More complete record keeping would help the state know who is the primary sources are and levy the excise taxes on them

Source: NYS Senate Bill S3881A,
2019-2020 legislative session

REMI Analysis: Overview



- REMI evaluated the potential effects of the legislation
- 2-region, 70-sector PI+ model of NYS [NYC, Rest of NYS]
- 10-year study period: 2019-2028
- Analysis:
 1. Estimating gains in annual NYS and NYC excise tax revenue if the primary source legislation is enacted
 2. Analyzing the impact on the state and city economies that could result from the increased revenue

REMI Analysis: Revenue

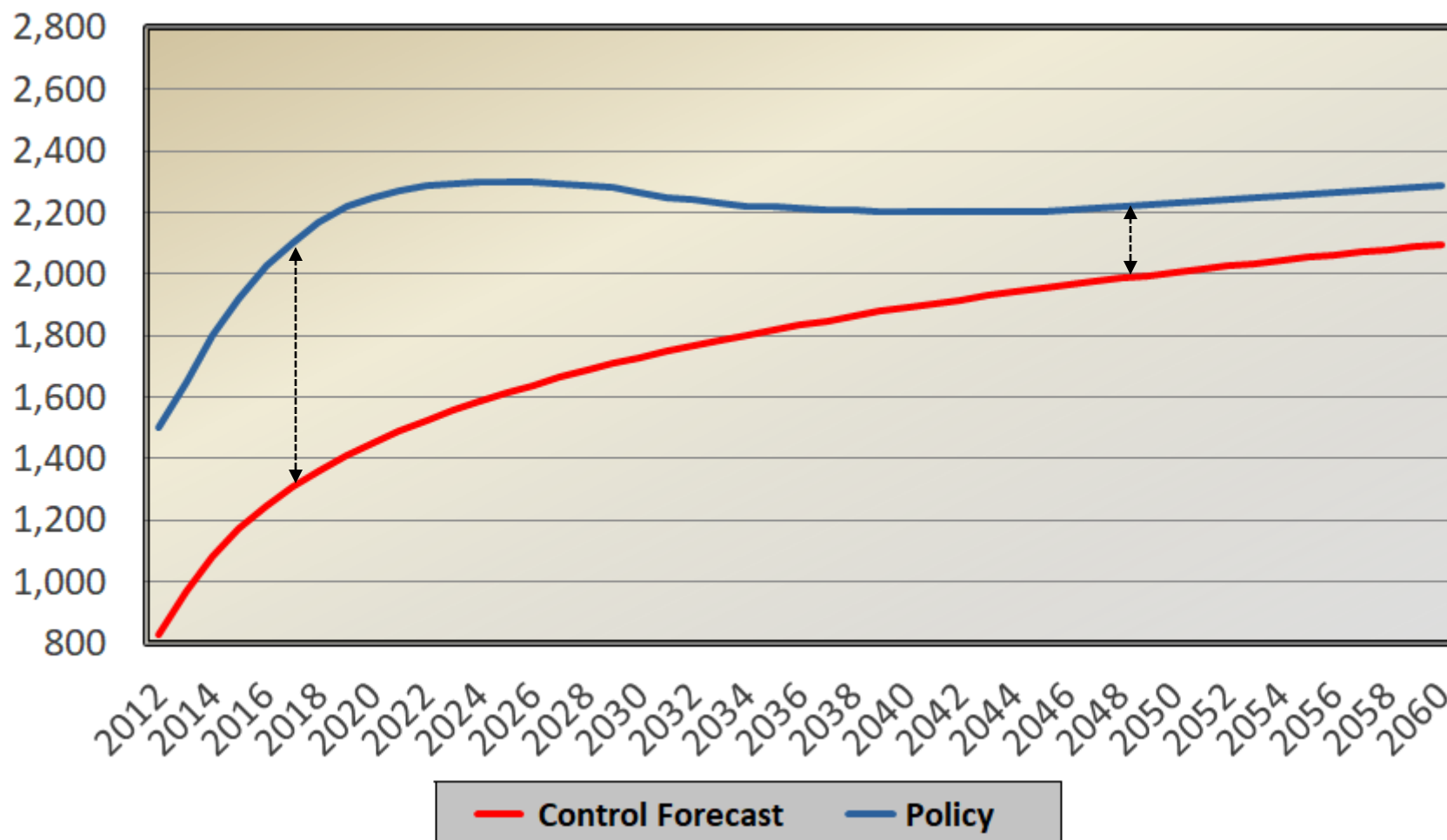


1. Estimate dollar value of NYS alcohol consumption using REMI data [\$21.1B]
2. Distribute by type of alcohol [official NYS alcohol volume, U.S. industry revenue/volume data]
3. Convert \$ to gallons, apply excise tax rates to get total possible collection [NYC: population scaled]
4. Leakage estimate from lit [MI/NYS studies: 10%]
5. Apply estimate to get revenue leakage, which is avoided by legislation [NYS: \$35.8M, NYC: \$4.1]

REMI Analysis: Simulation

- \$35.8M in NYS revenue gained entered as an increase in State Government Spending in NYS [both regions]
- \$4.1M in NYC revenue gained entered as an increase in Local Government Spending in NYC
- Results: employment, GDP, personal income [NYC, NYS]
 - ▣ Employment: total, public sector, private non-farm sectors

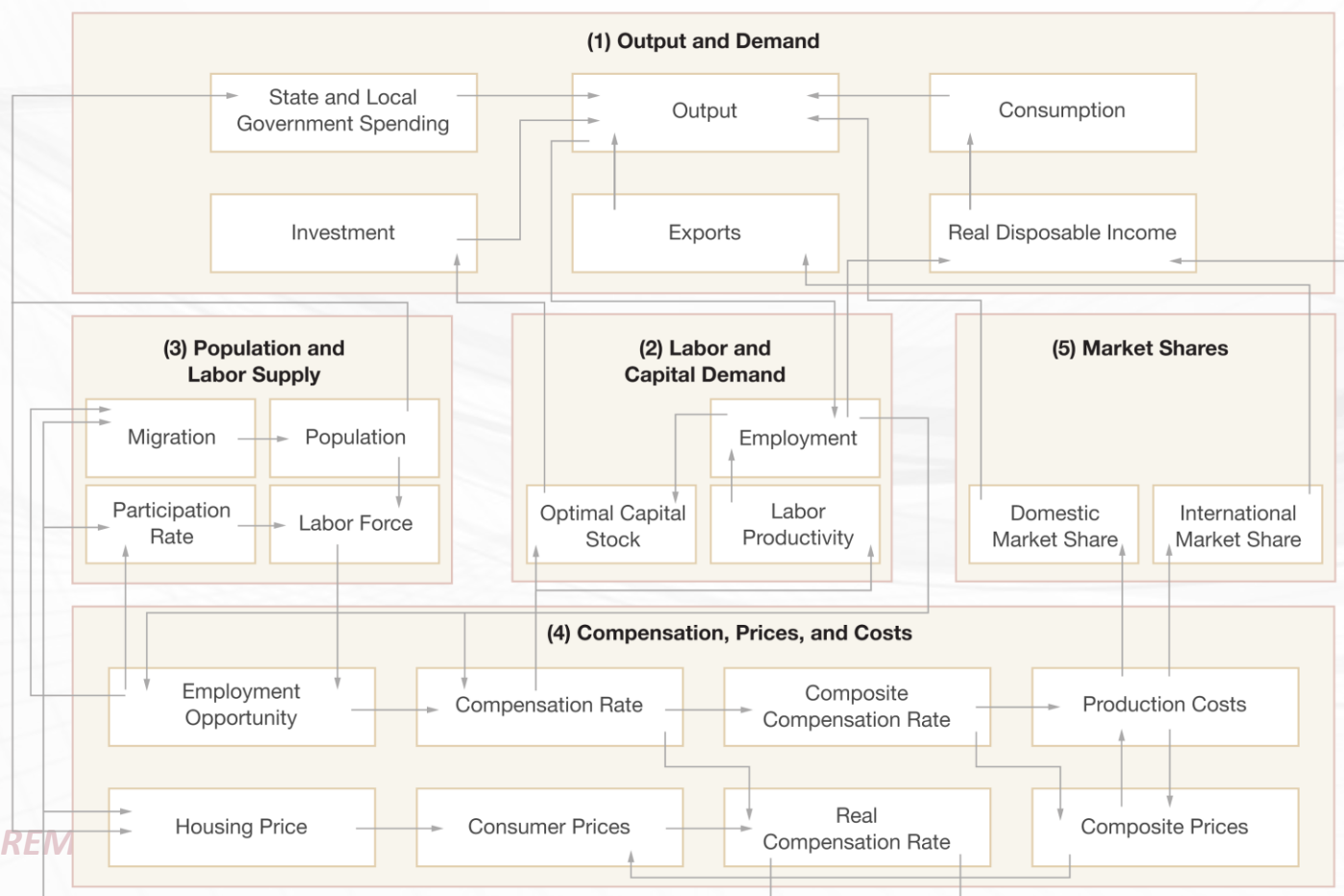
Model Framework



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Model Structure

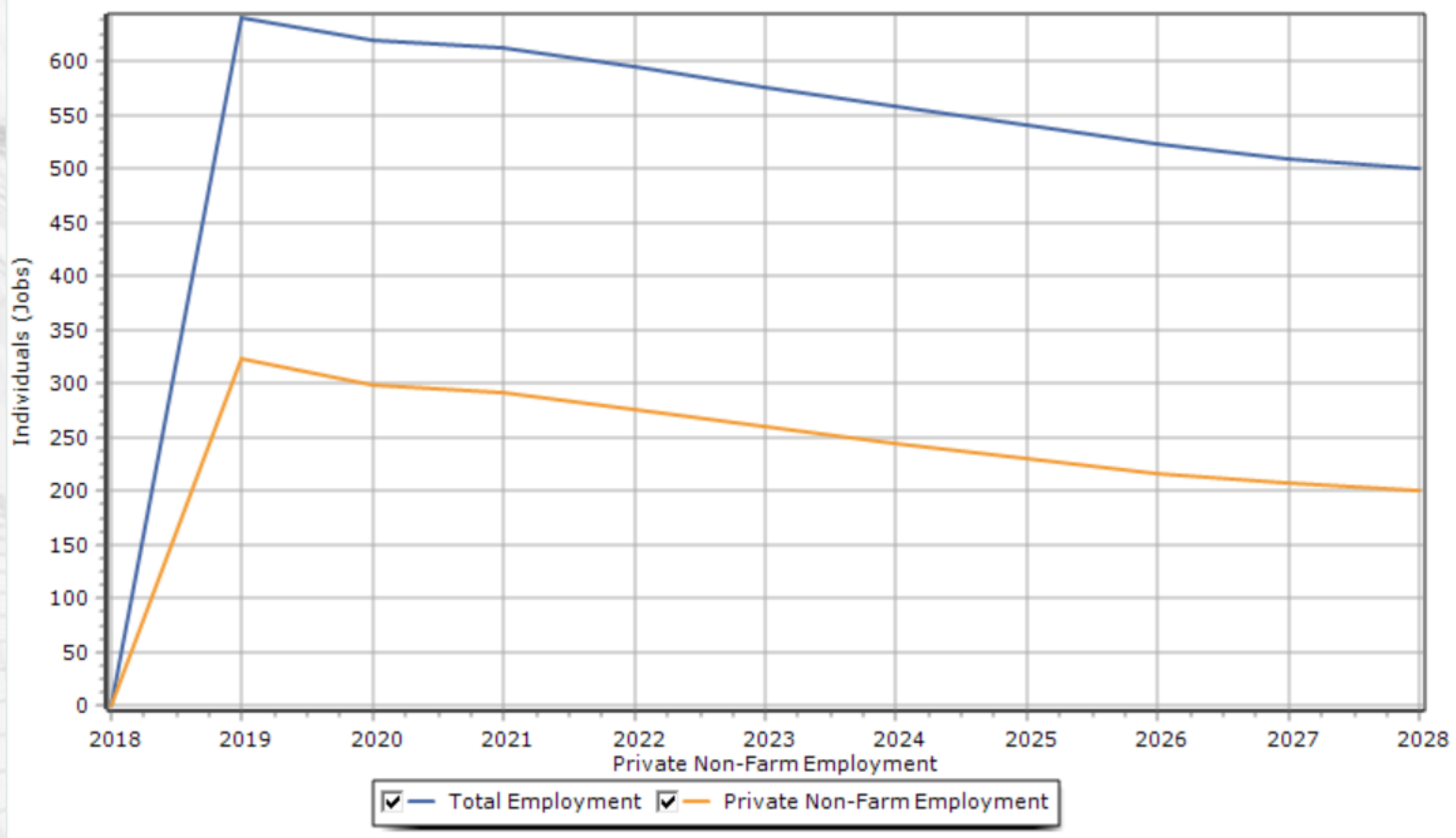
REMI Model Linkages (Excluding Economic Geography Linkages)



REMI Analysis: Results



□ Public vs. private nonfarm employment impacts

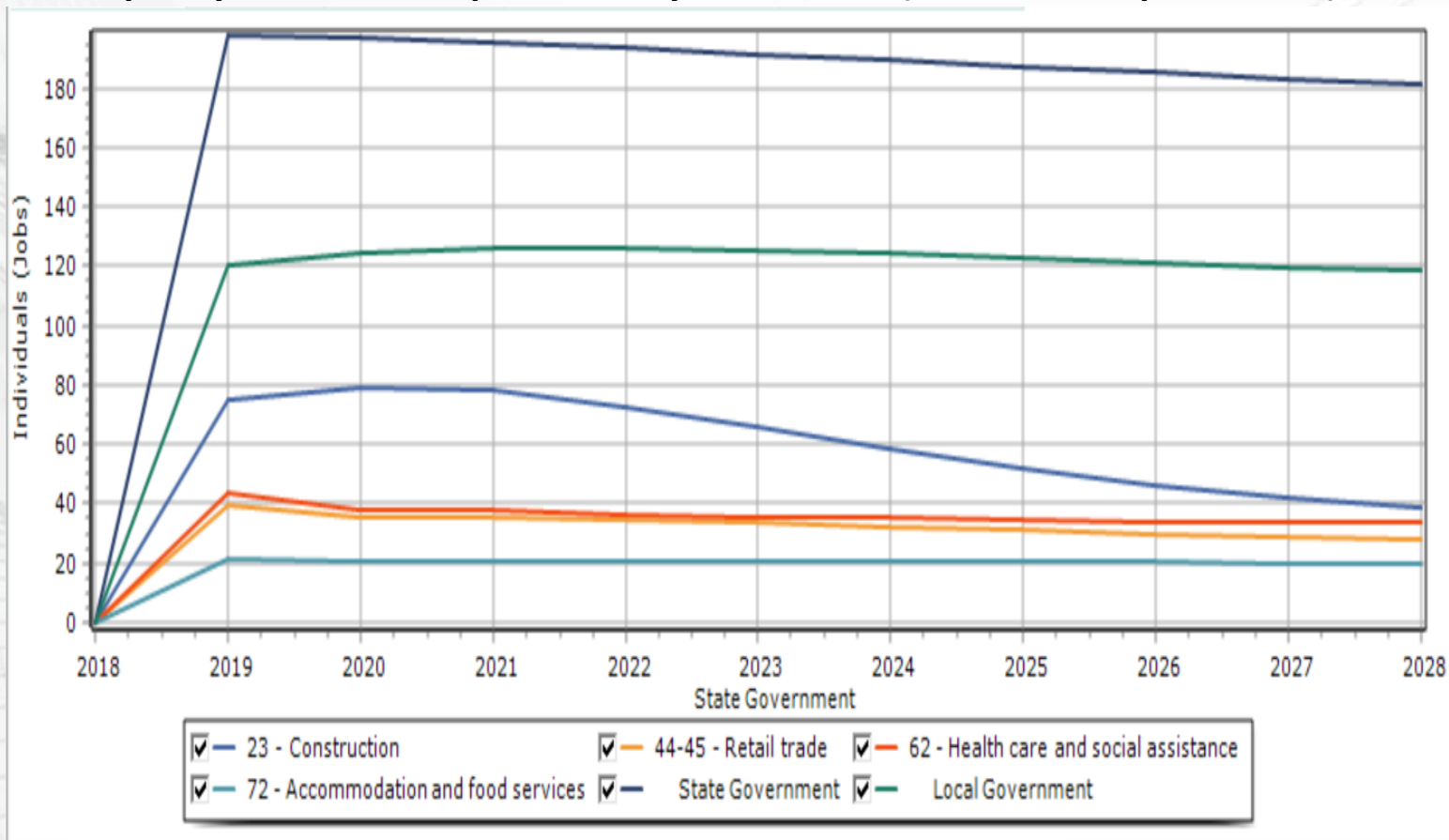


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REMI Analysis: Results



□ Employment impacts by sector (most impacted)

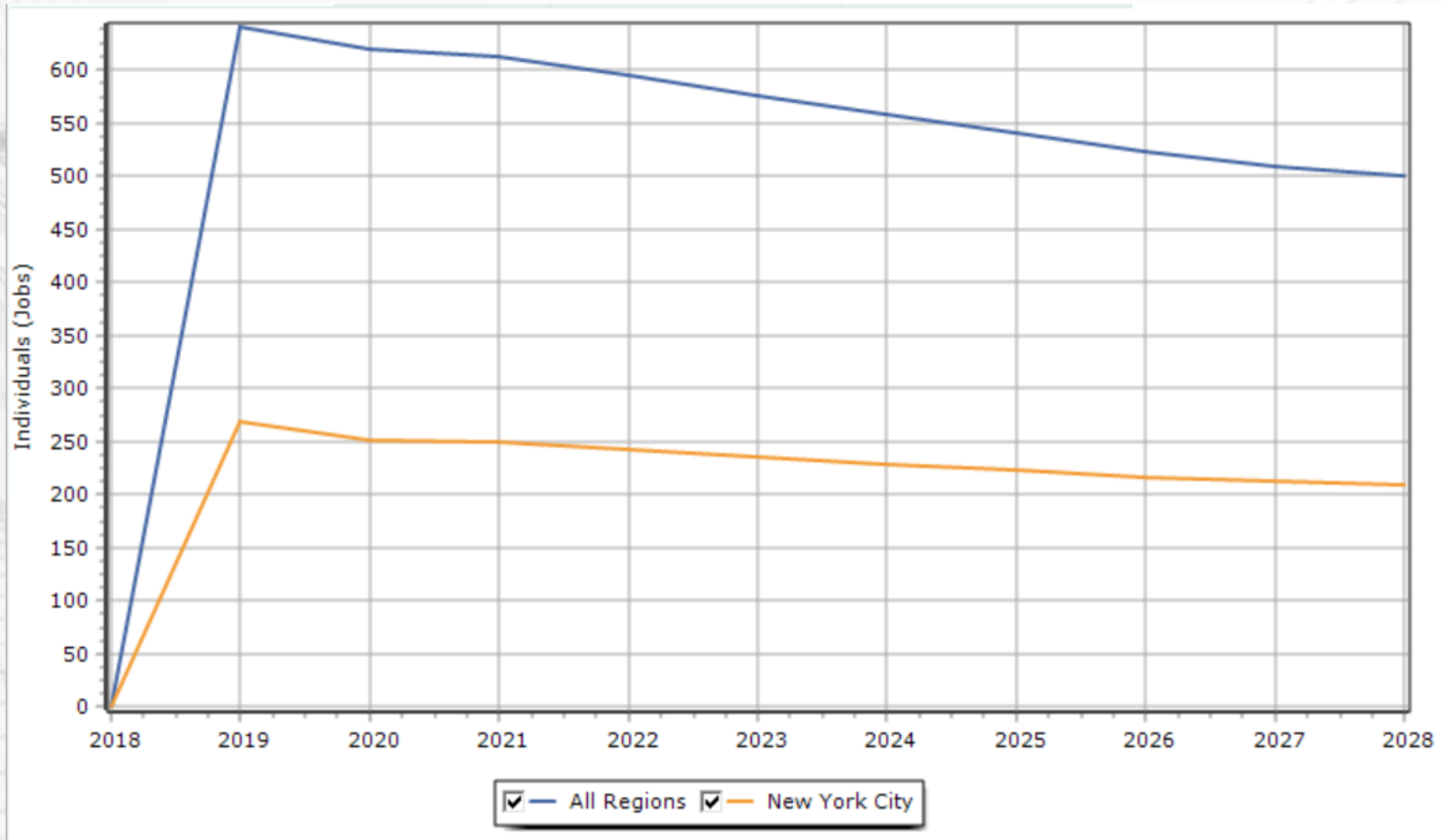


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REMI Analysis: Results



□ Total employment impacts by region

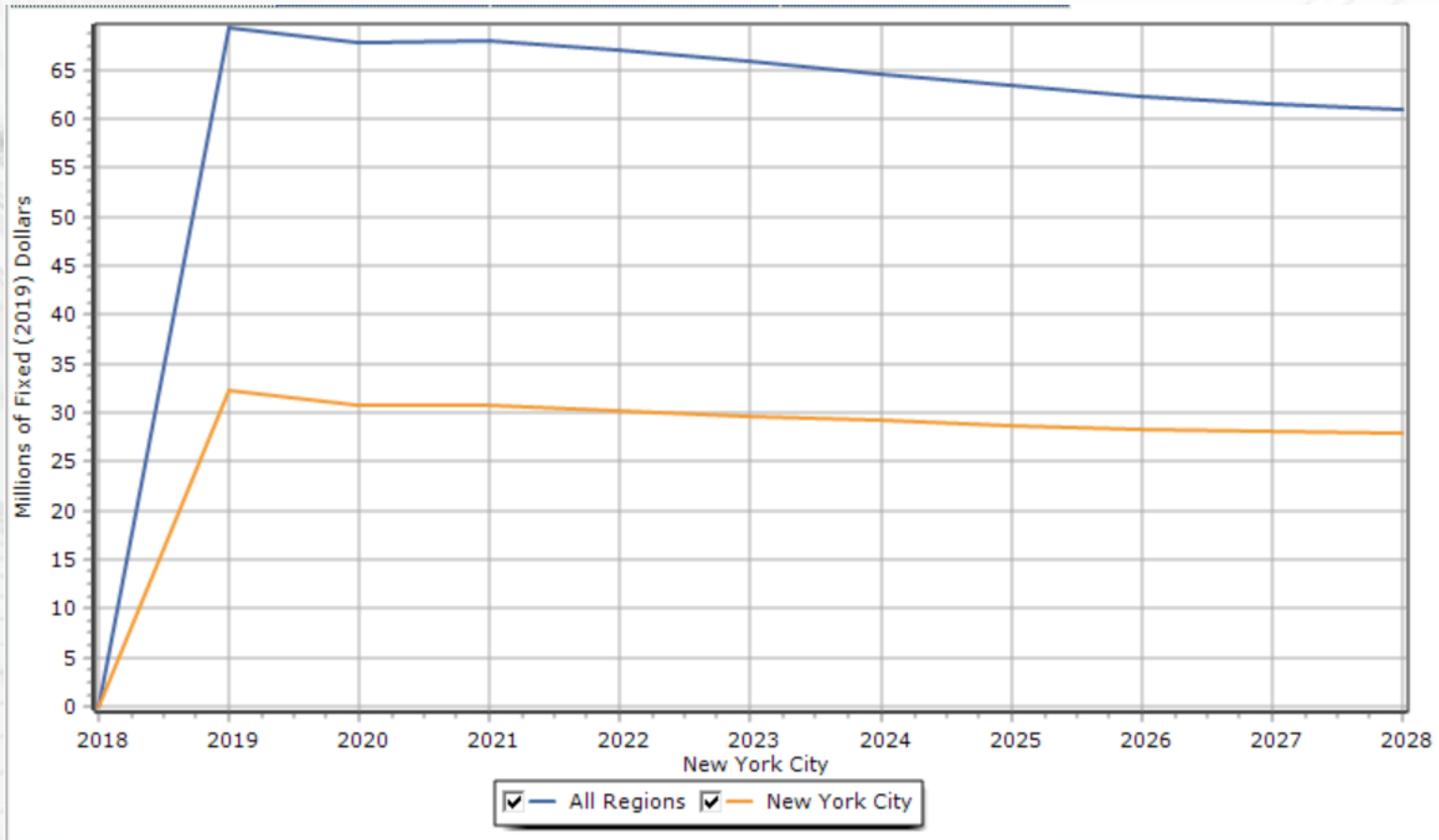


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REMI Analysis: Results



□ Total GDP impacts by region

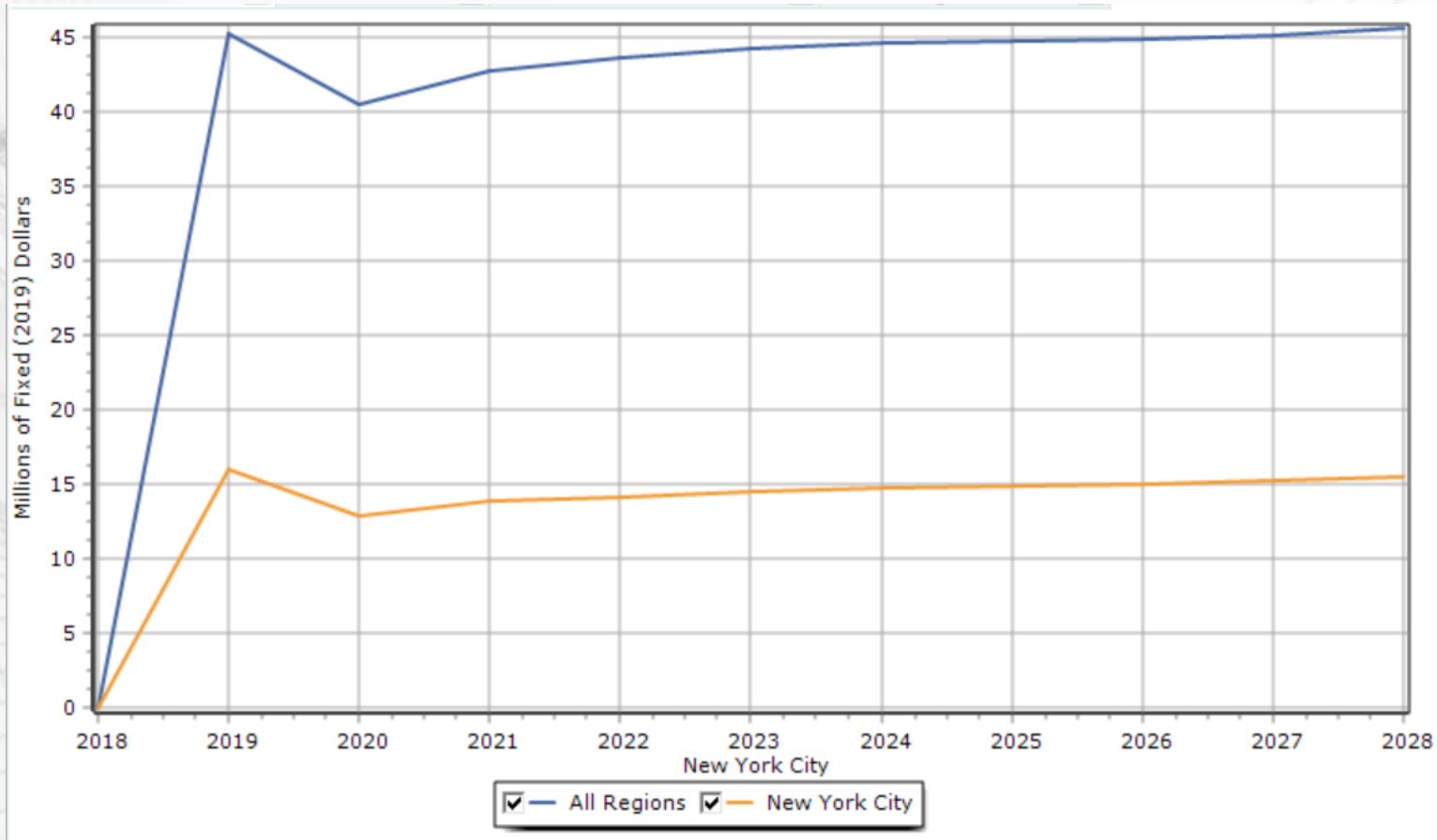


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REMI Analysis: Results



□ Total personal income impacts by region



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Conclusions



Photo: Shutterstock

- During 2019-2028, NYS adds an average of **567 jobs** as a result of the additional revenue, with 45% coming in the private non-farm sector and 41% coming within New York City

- Average increase in personal income in NYS is **\$52.6 million**, and the average increase on the size of the state's economy, as measured by Gross State Product (GSP), is **\$65.0 million**