

ALCOHOL TAX REVENUES SURGE DURING PANDEMIC

State excise tax revenues from the sale of alcoholic beverages are projected to rise nearly 17% in the 2021 fiscal year, an annual increase that would top any seen in nearly five decades in Wisconsin. While the impact of the pandemic on alcohol use is difficult to evaluate, this trend may bear watching moving forward – in part because excessive alcohol use is among Wisconsin’s longstanding public health challenges.

Revenues from the state’s excise taxes on alcoholic beverages rose to \$73.8 million in the 2021 fiscal year that ended June 30, a 16.6% increase over the \$63.3 million collected in fiscal year 2020, according to preliminary data from the state Department of Revenue (DOR). These collections come from state taxes with rates that vary depending on the type of alcoholic beverage: beer, wine, hard cider, or liquor.

According to figures from the state’s [Annual Fiscal Report](#) and the preliminary DOR data, 2021 marked the largest percentage increase in alcohol tax revenues in Wisconsin since 1972 (see Figure 1). In more than six decades of data, the only two fiscal years with larger percentage jumps – 1972 and 1964 – had increases in wine tax rates. Liquor taxes also increased in fiscal 1972 and the legal drinking age was lowered.

ALCOHOL TAXES LOW IN WISCONSIN

Alcohol excise taxes in Wisconsin are based on the volume of beverage sold, rather than its price. Beer is

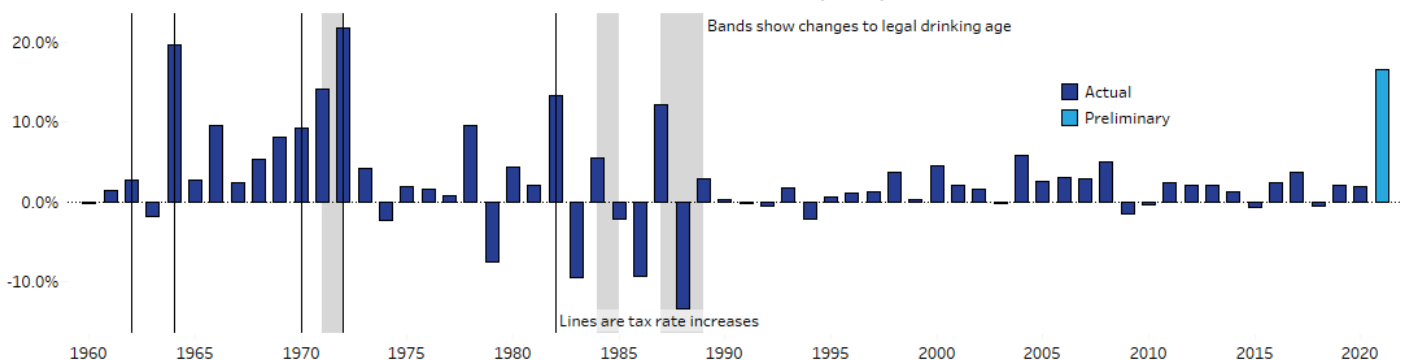
taxed at approximately 6.5 cents per gallon; wine is taxed at 25 cents per gallon (about 6.6 cents per liter) if it has an alcohol content of 14% or less by volume. If its alcohol content exceeds 14%, it is taxed at 45 cents per gallon (about 11.9 cents per liter).

Hard cider is taxed at 6 cents per gallon if its alcohol content is less than 7%; if it exceeds that level, it is taxed at the same rate as wine. Distilled liquor, meanwhile is taxed at a far higher rate: \$3.25 per gallon.

Beer taxes are paid by Wisconsin wholesalers and breweries on a monthly basis on sales of beer in Wisconsin or shipments into the state; all other alcohol taxes are collected on Wisconsin sales and shipments into the state through monthly payments by distributors, out-of-state shippers, and Wisconsin manufacturers and wineries. In addition, the state’s general 5% sales tax also applies to alcohol sales and is collected by retailers

Figure 1: Sale of Alcoholic Beverages Booms Over Past Year

Annual % increase in Wisconsin alcohol tax revenues by fiscal year*, 1960-2021



Sources: Wisconsin Department of Administration and Department of Revenue. *Fiscal years run from July 1-June 30. In March 1972, Wisconsin lowered the legal drinking age from 21 to 18. In July 1984, it was raised to 19 and was phased in to 21 between September 1986 and September 1988.

based on price – we did not look at any state of Wisconsin data on general sales taxes.

Wisconsin has long ranked among the bottom tier of states for the rates at which it taxes alcohol. Its beer tax rate is among the nation's lowest, [ranking 48th](#) among the 50 states in 2021, according to the Tax Foundation. Two of the other states with the lowest beer tax rates – Missouri and Colorado – share a tradition with Wisconsin as major beer producers. However, Wisconsin's [wine tax rate also ranks low at 43rd](#) and its [liquor rate ranks 41st](#).

One consequence of this is that – despite the historic magnitude of this year's revenue increase – its impact to state finances overall will be marginal. However, the public health implications of increased alcohol consumption may be a greater concern – as discussed later in this report.

INCREASING REVENUES AND SALES

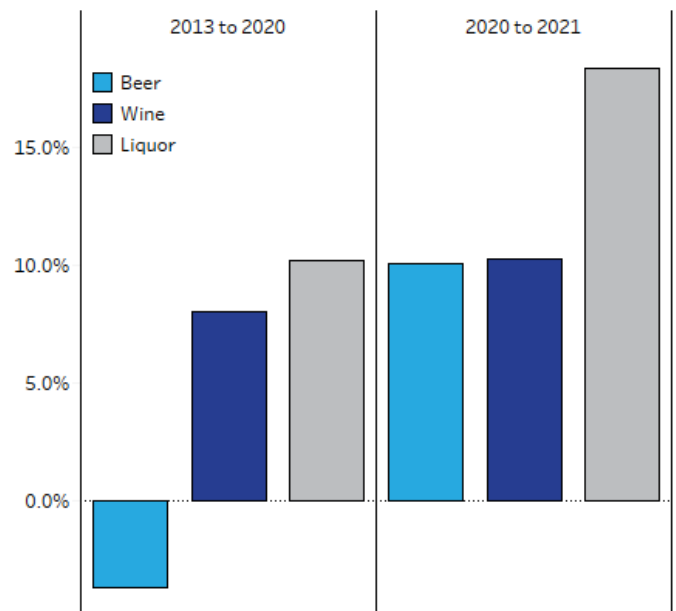
Wisconsin's 16.6% preliminary annual increase in alcohol excise tax revenues far exceeds the generally modest increases seen in prior years. Between 2009 and 2020, the percentage increase in alcohol tax collections exceeded 2.4% in only one year.

Monthly reported excise tax data from DOR corroborate the preliminary collections data. DOR tracks per-gallon taxable alcohol sales using figures reported by businesses. Those figures paint a similar picture of increased consumption; in fiscal year 2021, taxable gallons increased by double-digit percentages in every category – liquor (18.3%), beer (10%), wine (10.2%), and cider (16.1%) – after seeing declines or only modest growth in each category in fiscal 2020.

The long-term trend here is also illustrative. Total per-gallon alcohol sales increased 8.9% from fiscal 2012 to fiscal 2021. Within that period, however, there were large differences in the increase by alcoholic beverage type – especially between the two beverage types that by far provide the most tax revenues. Beer gallons sold increased 4.3% during this period and actually declined from 2013 to 2020, while liquor gallons increased 41.7% during this period. Figure 2 shows how these trends unfolded leading up to the 2020 fiscal year, as well as the large increase in 2021.

The taxable gallons and revenue data are reported to DOR on a monthly basis, reflecting tax returns

Figure 2: All Kinds of Alcohol See Consumption Increases
Change in taxable gallons, major sources of alcohol tax



Source: Wisconsin Department of Revenue

processed in the months listed. DOR indicates that its figures reflect the timing of revenues received, regardless of when the returns were due.

We analyzed the DOR monthly excise tax revenue totals since the onset of the pandemic relative to the same months a year earlier. They show an initial surge of increased alcohol tax revenues in April 2020, much more modest increases in the following months, followed by larger increases in the late summer and early fall. Monthly revenues saw sustained but smaller year-over-year increases from November through February before surging again to end the fiscal year.

NATIONAL COMPARISON

Most states have seen alcohol tax revenues increase during fiscal 2021, national data show. Yet these data, while an imperfect basis for comparison, suggest Wisconsin's recent increases may outpace most states.

Here we rely on [figures from the U.S. Census Bureau's Quarterly Summary of State and Local Tax Revenue](#), which goes through the first quarter of this calendar year, or March 31, 2021. These include selective sales tax and excise tax revenues at the state and local level applying specifically to alcohol. In Wisconsin, this is essentially excise taxes. For the 12-month period that ended on that date, Wisconsin's 11.4% increase in



alcohol tax revenues was the sixth-largest of any state, these data show.

Due to differences in how each state taxes alcohol, the data and methods used in our analysis do not permit these figures to be compared between all states on an apples-to-apples basis. For example, some states that recorded declines in alcohol tax revenue over the past year place an additional selective sales tax on on-premise alcohol purchases – meaning sales that occur in establishments where the alcoholic beverage is also consumed, such as bars or restaurants. Given that many bars and restaurants were closed or operated on a limited scale for much of the pandemic, revenues from on-premise alcohol sales at those establishments likely were greatly reduced.

If we remove the [states that tax on-premise alcohol sales more heavily](#), combined revenues for the remaining 41 states during the 12 months ending March 30 rose 4.9%.

In other words, though many other states have seen a rise in alcohol tax collections, the increase has been greater in Wisconsin than in all but five of the 41 states. It is difficult to draw firm conclusions about how Wisconsin fares nationally because of the state-to-state differences in alcohol tax rates and structures – the difference in tax treatment of on-premise sales, cited above, is just one example. Another major difference is that in some states, alcohol sales are made in municipal or government stores or the state controls their sale in some other way – for liquor sales, these controls apply in 17 states. However, these figures for Wisconsin may give at least some reason for concern given the public health impacts associated with excessive alcohol consumption.

CONCLUSION

Since March 2020, Wisconsin and every other state has dealt with the consequences of the pandemic, including restrictions on gatherings and social interaction. For individuals, this period also may have generated increased stress about personal health and the health of loved ones, lost or reduced employment, fewer work or leisure activities, and challenges with school and child care. During such a period, it is perhaps unsurprising that alcohol sales increased in Wisconsin.

Yet it also is clear that [excessive alcohol use is a leading public health concern](#) in Wisconsin. Surveys

routinely show Wisconsinites engage in binge drinking more frequently than residents in most other states.

WPF research has shown recent [increases in alcohol-related driving deaths in Wisconsin](#) during the pandemic. Previously, we found [total deaths related to alcohol in Wisconsin have been increasing](#), as has been true nationally, over the last two decades. This includes deaths for which the primary cause is alcohol, such as liver disease and alcohol poisoning, as well as fatal accidents in which the deceased person is intoxicated.

In light of these and other considerations, it will be important to monitor alcohol sales closely to determine if the marked increase in sales and presumably consumption observed in fiscal year 2021 is a one-time byproduct of the pandemic or the beginning of a longer-term and possibly harmful trend.

In some cases, individuals may increase alcohol consumption while maintaining moderation. However, if rising consumption levels continue and additional public health impacts materialize, then policymakers may need to consider further steps to discourage harmful levels of drinking or related behaviors such as intoxicated driving.

