

OLR Backgrounder: Alcoholic Beverages Tax

By: Rute Pinho, Chief Analyst
August 4, 2020 | 2020-R-0190

Issue

Briefly explain Connecticut's alcoholic beverages tax and how its rates compare to those of other states.

Summary

Connecticut's alcoholic beverages tax applies to sales of beer, wine, and liquor in the state. The tax is based on volume and ranges from \$0.12 per wine gallon of beer (128 ounces) sold by beer manufacturer permittees for off-premises consumption to \$5.94 per wine gallon of liquor (i.e., distilled spirits). The tax is levied on distributors (i.e., wholesaler or manufacturer permittees), who must report to the Department of Revenue Services (DRS) each month on the total number of gallons of each alcoholic beverage sold during the month, their opening and closing inventories, and the amount of tax due. Sales of alcoholic beverages are also subject to the state's 6.35% sales and use tax.

A comparison of Connecticut's alcohol tax rates with those of other states and the District of Columbia shows that Connecticut's general tax rate on beer and wine is slightly greater than the median rate across all jurisdictions. However, its tax on liquor is \$2.17 greater than the median rate of \$3.77 per gallon.

Alcoholic Beverages Tax

Rate and Basis

Connecticut's alcoholic beverages tax applies to distributors selling beer, wine, and liquor in the state. The tax is based on volume: per barrel, fraction of a barrel, or wine gallon for beer; per wine gallon for wine; and either per wine gallon or per proof gallon for liquor and liquor coolers. The law exempts from the tax the first 15 barrels of beer annually produced and sold for on-premises consumption in an establishment covered by a manufacturer's permit ([CGS § 12-435](#), as amended by [PA 19-24](#), § 1).

Table 1 shows the tax rate and basis by type of alcoholic beverage.

Table 1: Connecticut Alcoholic Beverage Tax Rates

<i>Alcoholic Beverage</i>	<i>Basis and Rate</i>
Beer with no more than 7% alcohol	\$7.20 per barrel (31 gallons) \$0.24 per wine gallon or fraction under ¼ barrel
Beer sold for off-premises consumption on premises covered by a manufacturer's permit	\$3.60 per barrel (31 gallons) \$0.12 per wine gallon or fraction under ¼ barrel
Cider with no more than 7% alcohol	\$7.92 per barrel (31 gallons) \$0.26 per wine gallon or fraction under ¼ barrel
Still wines (up to 21% alcohol by volume)	\$0.79 per wine gallon
Still wines produced by small wineries producing up to 55,000 wine gallons annually (certificate required)	\$0.20 per wine gallon
Sparkling and fortified wines	\$1.98 per wine gallon
Alcohol (more than 100 proof)	\$5.94 per proof gallon
Liquor	\$5.94 per wine gallon
Liquor coolers (up to 7% alcohol by volume)	\$2.71 per wine gallon

Source: [CGS § 12-435](#), as amended by [PA 19-117](#), § 352

Revenue

As Table 2 shows, the state collected approximately \$64.1 million in alcoholic beverage tax revenue for FY 19, up from approximately \$63.2 million in both FY 18 and FY 17. In FY 19, there were 925 distributors paying the tax.

Table 2: Alcoholic Beverages Tax Revenue, FYs 17-19

<i>FY</i>	<i>Amount</i>
19	\$64,145,818
18	63,211,086
17	63,155,221

Source: DRS, [FY 19 Annual Report](#)

Comparison with Other States

Table 3 shows per gallon taxes on beer, wine, and liquor in each state and the District of Columbia. It also shows the median tax rate for each type of alcoholic beverage. This data was compiled by the Federation of Tax Administrators (FTA) and last updated in January 2020. The rates shown represent the general state excise tax rate for each category. In some cases, different tax rates apply to specific types of beverages (e.g., draft beer or sparkling wine) or specific types of retail sales (e.g., on-premises or airline sales). In addition, local alcohol taxes and state sales taxes apply in specific jurisdictions. The [FTA website](#) provides additional detail on these other taxes and exceptions to the rates shown below.

The comparison shows that Connecticut's tax on beer (\$0.24 per gallon) is slightly greater than the median rate of \$0.20 per gallon. Its tax on wine (\$0.79 per gallon) is also slightly greater than the median rate of \$0.72 per gallon. However, its tax on liquor (\$5.94 per gallon) is \$2.17 greater than the median rate of \$3.77 per gallon.

Table 3: General State Tax Rates on Beer, Wine, and Liquor

STATE	PER-GALLON EXCISE TAX (\$ per gallon)		
	Beer	Wine	Liquor
Alabama	\$0.53	\$1.70	N/A ¹
Alaska	1.07	2.50	\$12.80
Arizona	0.16	0.84	3.00
Arkansas	0.23	0.75	2.50
California	0.20	0.20	3.30
Colorado	0.08	0.28	2.28
Connecticut	0.24	0.79	5.94
Delaware	0.26	1.63	4.50
Florida	0.48	2.25	6.50
Georgia	0.32	1.51	3.79
Hawaii	0.93	1.38	5.98
Idaho	0.15	0.45	N/A ¹
Illinois	0.231	1.39	8.55
Indiana	0.115	0.47	2.68
Iowa	0.19	1.75	N/A ¹
Kansas	0.18	0.30	2.50
Kentucky	0.08	0.50	1.92
Louisiana	0.40	0.76	3.03
Maine	0.35	0.60	N/A ¹
Maryland	0.09	0.40	1.50
Massachusetts	0.11	0.55	4.05
Michigan	0.20	0.51	N/A ¹

STATE	PER-GALLON EXCISE TAX (\$ per gallon)		
	Beer	Wine	Liquor
Minnesota	0.148	0.30	5.03
Mississippi	0.4268	0.35	N/A ¹
Missouri	0.06	0.42	2.00
Montana	0.14	1.06	N/A ¹
Nebraska	0.31	0.95	3.75
Nevada	0.16	0.70	3.60
New Hampshire	0.30	0.30	N/A ¹
New Jersey	0.12	0.875	5.50
New Mexico	0.41	1.70	6.06
New York	0.14	0.30	6.44
North Carolina	0.6171	1.00	N/A ¹
North Dakota	0.16	0.50	2.50
Ohio	0.18	0.30	N/A ¹
Oklahoma	0.40	0.72	5.56
Oregon	0.08	0.67	N/A ¹
Pennsylvania	0.08	N/A ¹	N/A ¹
Rhode Island	0.11	1.40	5.40
South Carolina	0.77	0.90	2.72
South Dakota	0.27	0.93	3.93
Tennessee	1.29	1.21	4.40
Texas	0.194	0.204	2.40
Utah	0.4226	N/A ¹	N/A ¹
Vermont	0.265	0.55	N/A ¹
Virginia	0.2565	1.51	N/A ¹
Washington	0.26	0.87	14.27
West Virginia	0.18	1.00	N/A ¹
Wisconsin	0.06	0.25	3.25
Wyoming	0.02	N/A ¹	N/A ¹
Dist. of Columbia	0.09	0.30	1.50
Median	\$0.20	0.73	\$3.77

Source: FTA [State Tax Rates on Beer](#), [State Tax Rates on Wine](#), and [State Tax Rates on Distilled Spirits](#) (accessed July 28, 2020)

¹ State controls all sales directly. Revenue is generated from other taxes, fees, and net profits.

RP:kc