



D.C. Office of Revenue Analysis Briefing Document *Number: 2016-7 Date: August 2016*

Muriel Bowser, Mayor

Jeffrey S. De Witt, Chief Financial Officer

Fitzroy Lee, Deputy CFO & Chief Economist

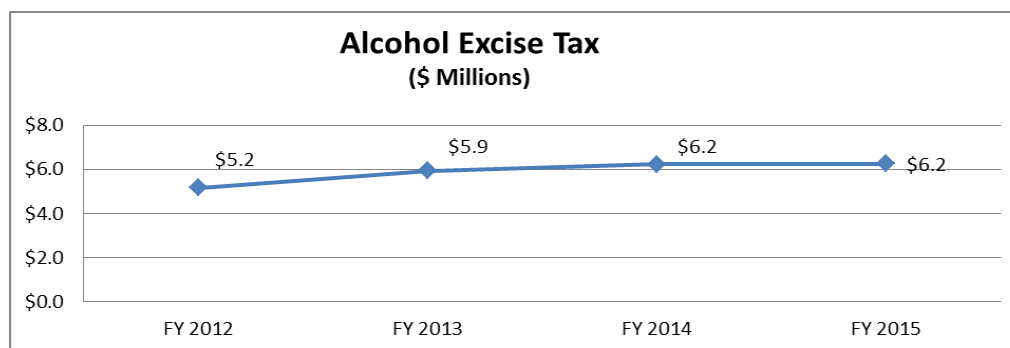
District Tax Revenue from Alcoholic Beverage Consumption (FY 2012 – 2015)

Consumption of alcoholic beverages in the District is subject to taxation at two levels. In the first instance, wholesalers pay an excise tax based on volume and type of alcoholic beverage. In the second instance, consumers pay a sales tax, whether the alcohol is consumed at an establishment, such as a restaurant or a bar, or purchased for offsite consumption. The sales tax on purchases for both onsite and offsite consumption is a percentage of the sales amount. Since fiscal year (FY) 2012, the tax rate on alcoholic beverages for offsite consumption has been 10 percent. This rate is equal to the tax rate applied to all food and beverages purchased for immediate consumption.

The alcoholic beverage excise tax rates during the FY 2012 – FY 2015 period were (and have been since 1990):

Excise Tax Wholesaler's Alcoholic Beverage	Tax Rate
Beer	\$2.79/Bbl.
Wine (14% or Less Alcohol)	\$0.30/Gal.
Wine (More than 14% Alcohol)	\$0.40/Gal.
Champagne	\$0.45/Gal.
Alcohol/Spirit	\$1.50/Gal.

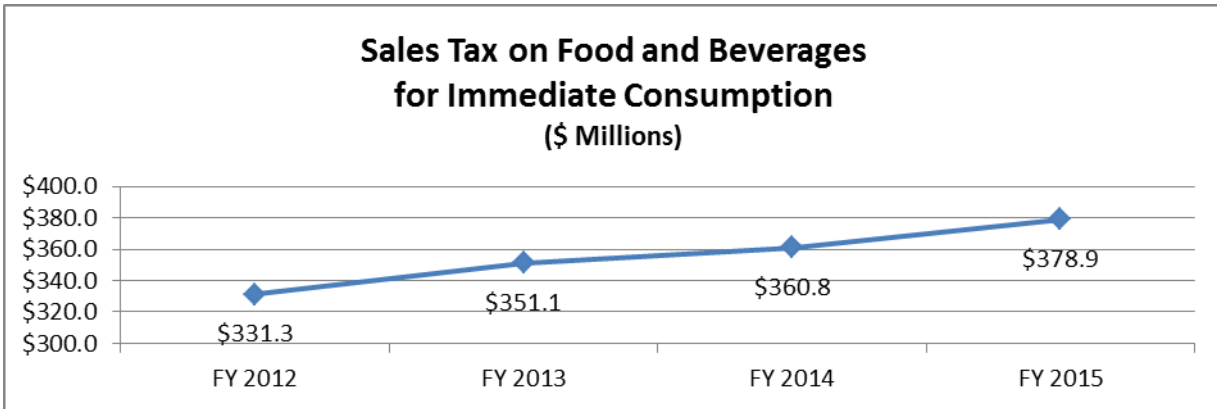
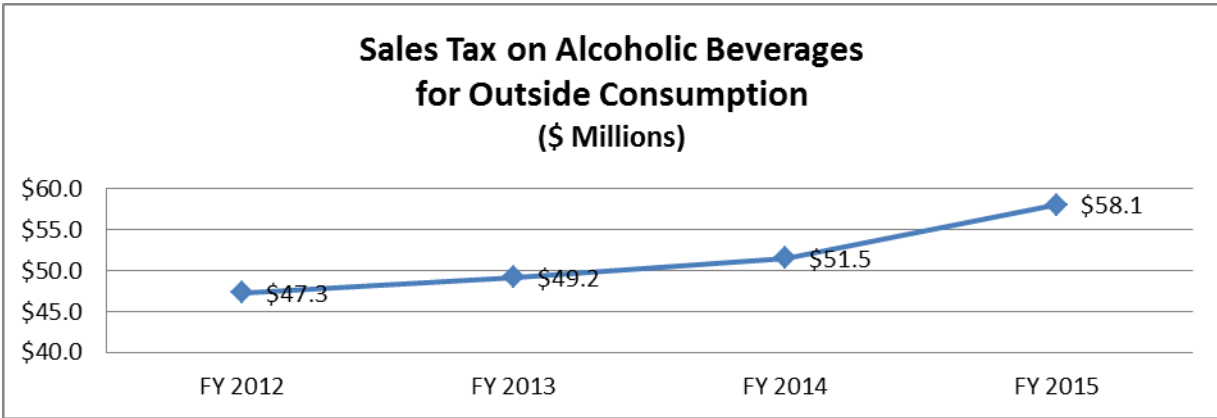
Revenue from all three sources; alcoholic beverage excise tax, sales taxes on alcoholic beverages sold for offsite consumption, and from sales tax on food and beverages for immediate consumption; has increased each year from FY 2012 to FY 2015, as is shown in the graphs below.



This briefing document was prepared by Sharain Ward, DC Office of Revenue Analysis .

Briefing documents are prepared by the Office of Revenue Analysis, which is part of the Office of the Chief Financial Officer of the District of Columbia government. The purpose of these documents is to make information available that is not of a policy nature. See also the [District of Columbia Economic and Revenue Trends](http://cfo.dc.gov/node/232252) at <http://cfo.dc.gov/node/232252> and [Economic Indicators](http://cfo.dc.gov/node/231222) at <http://cfo.dc.gov/node/231222> issued monthly by the D.C. Office of the Chief Financial Officer.

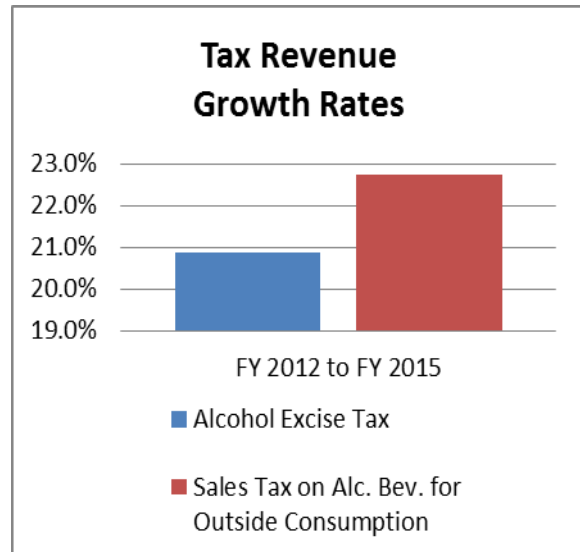
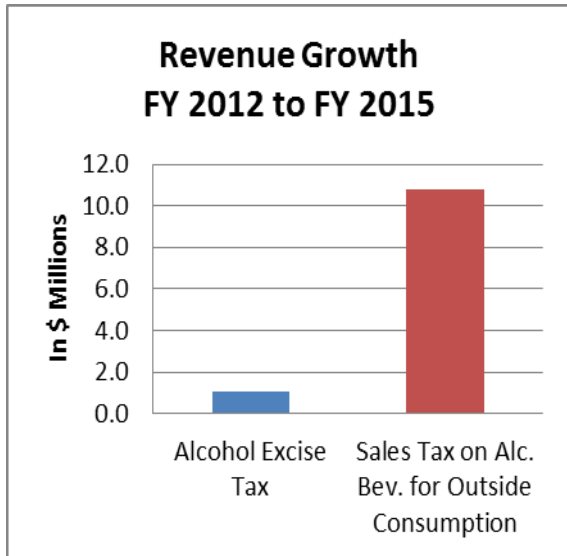
For comment(s) or further information, please send an email to ora@dc.gov.



Because the sales tax on food and beverage for immediate consumption is affected by many more factors than the price or volume of alcohol consumed - such as raw food prices, food preparation and serving costs - the revenue from the sales tax on food and beverages for immediate consumption is not included in this analysis.

Excise Tax Revenue

From FY 2012 to FY 2015, the increase in revenue from the excise tax on alcoholic beverages was approximately \$1.1 million. The increase in revenue from sales taxes on alcoholic beverages for consumption offsite was approximately \$10.8 million. However, the growth rate of the excise tax revenue from alcoholic beverages (20.9 percent) was only slightly less than that of the revenue from the sales tax on alcoholic beverages (22.7 percent).



Since there was no change in the excise tax rate during the period FY 2012 – FY 2015, none of the increase in revenue is attributable to an increase in the tax rate. Possible causes include: wholesalers purchased more alcohol, and/or District manufacturers made more alcohol, or the ratios of alcoholic beverage type shifted from the less expensive (beer, light wine) to the more expensive (heavy wine, champagne, spirits).

The table below shows the distribution of excise taxes by type of alcoholic beverage during the period FY 2012 to FY 2015. There is little change observed in the excise tax beverage mix by percentage from year to year. Therefore it is unlikely that the revenue increase is due mainly to changes in preferences of alcoholic beverages to types that are taxed at higher rates. The increase in the excise tax is therefore likely to be mainly due to an increase in volume sold or manufactured.

	FY 2012	FY 2013	FY 2014	FY 2015	Average
Beer	21.0%	21.8%	21.0%	20.4%	21.1%
Wine -14%	18.1%	16.6%	16.5%	17.2%	17.1%
Wine +14%	1.3%	1.3%	1.4%	1.4%	1.4%
Champagne	3.0%	3.1%	3.4%	3.6%	3.3%
Alcohol/Spirit	56.6%	57.2%	57.7%	57.3%	57.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Sales Tax Revenue

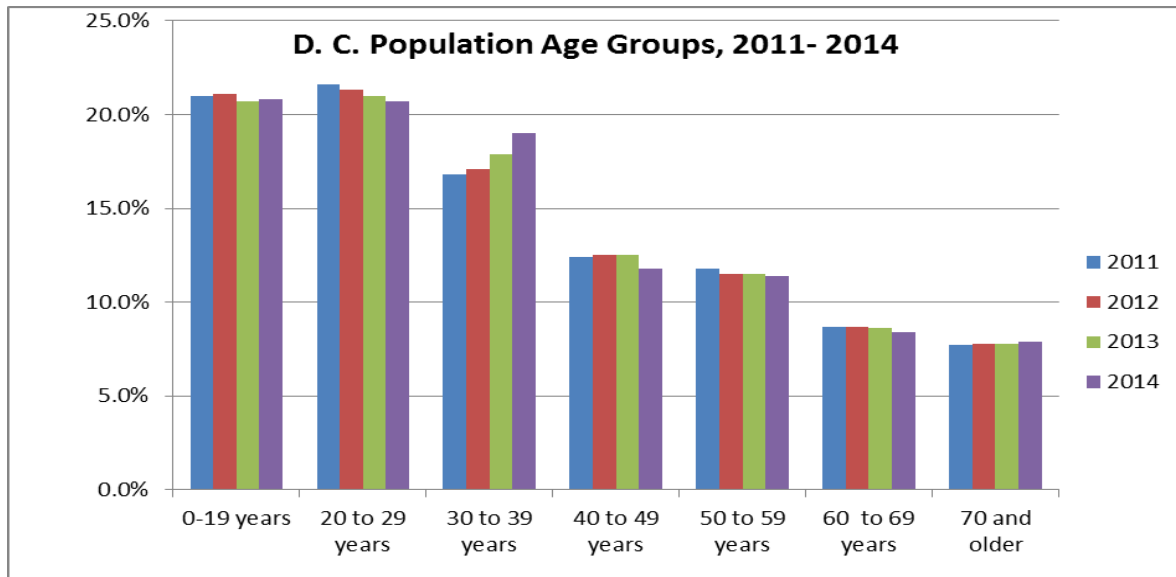
The increase in sales tax revenue may be due to an increase in sales of alcoholic beverages, or an increase in the cost of alcohol beverages sold, or both. The increase in excise tax revenue supports an increase in sales of alcoholic beverages. It is also possible that more expensive alcohol is being purchased by consumers.

The increase in sales of alcoholic beverages may be due to both an increase in residents and visitors. The number of visitors, as represented by hotel room demand, increased during FY 2012 to FY 2015, as did the size of the resident population.

According to data from Smith Travel Research, the average monthly room demand for the District was 629,150 rooms in 2012. In 2015, the average monthly demand had grown to 683,101 rooms, a growth of 8.6 percent. There were more District residents in 2015 than in 2012. The District’s estimated population by the American Community Survey (One-Year Estimates) shows growth of approximately 2 percent per year for each year in the period 2011 through 2014.

	2011	2012	2013	2014
Estimated population (ACS surveys)	617,996	632,323	646,449	658,893
Growth rates		2.3%	2.2%	1.9%

As the graph below shows, in addition to the increased number of residents, there was a very slight increase in the proportion of residents over the age of 21. The largest change was in the proportion of residents between the ages of 30 and 39. The percentage of residents between the ages of 30 and 39 increased between 2011 and 2014, from 16.8 percent to 19.0 percent of the population. The group of residents between the age of 20 and 29 stayed about 21 percent during the same period. Both of these age groups are legally able to drink, and likely to have the income and inclination to drink alcoholic beverages both in bars and at home.



Summary

Alcoholic beverage consumption, as measured by the revenue from excise and sales taxes in the District has increased in recent years. This is mainly due to increased purchases of more alcohol by residents and visitors. We expect consumption to remain at current levels, or grow modestly, in the coming years.

What exactly is this data?

The analyses above were performed using data from: District of Columbia Comprehensive Annual Financial Report (2012 through 2015), OTR – Audit and Compliance Division, Smith Travel Research – monthly data as compiled by ORA, Bureau of Labor Statistics, American Community Survey.