

Alcohol Taxes in Nevada

Introduction

Nevada imposes an excise tax on the importation and manufacture of alcoholic beverages (known as the Liquor Tax). “The tax is paid by the Nevada licensed importer, which is assessed at the time the merchandise is received; or the tax is paid by the Nevada licensed manufacturer after it is bottled, or packaged and ready to be sold.” Four distinct tax rates apply by law.

- Beer (malt beverage): \$0.16 per gallon
- 0.5 percent up to 14 percent alcohol content by volume: \$0.70 per gallon
- Over 14 percent up to 22 percent alcohol content by volume: \$1.30 per gallon
- Over 22 percent alcohol content by volume: \$3.60 per gallon

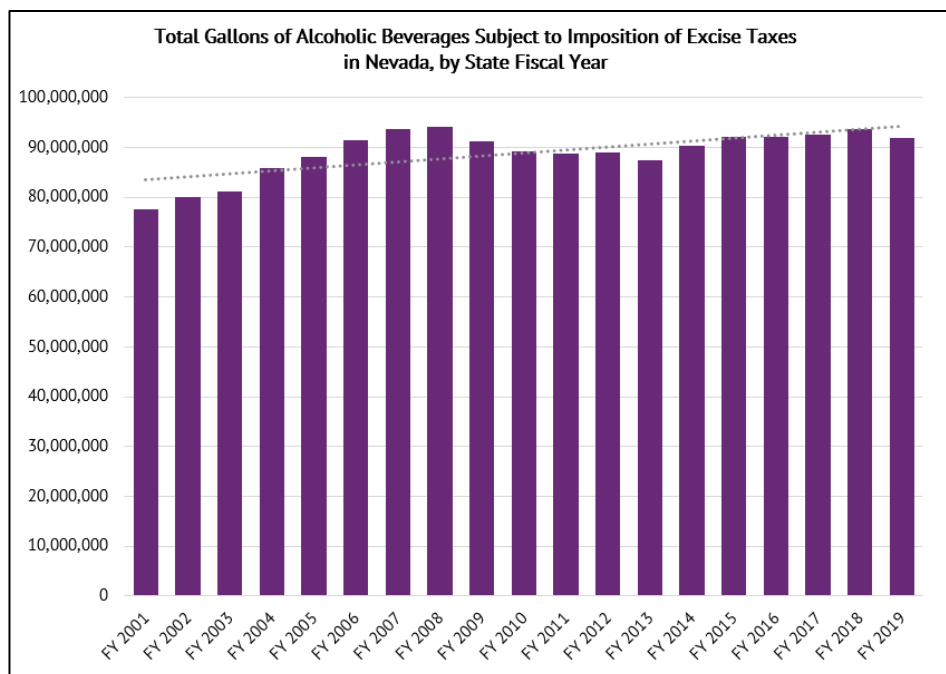
The tax rates have been in effect since August 1, 2003, pursuant to enactment of Senate Bill (SB) 8 of the 20th (2003) Special Session. SB 8 raised liquor tax rates by about 75 percent over those previously established in 1983. During the 78th (2015) Session, SB 275 proposed to raise liquor taxes by 50 percent over the current rates that were instituted in 2003, but no action was taken.

In State Fiscal Year (FY) 2019, Nevada collected \$49.7 million in liquor tax revenue, roughly 90 percent of which was distributed to the State General Fund; the remainder was transferred to Nevada counties through the Consolidated Tax Distribution (CTX), deposited in the Liquor Program Account, and allocated to Aid for Victims of Domestic Violence and community juvenile justice programs.

Alcoholic Beverages in Nevada: Imports/Manufacture and Tax Revenue

Figure 1 shows that, between FY 2001 and FY 2019, total gallons of alcoholic beverages upon which excise taxes are imposed have increased by 18.4 percent.

Figure 1. Total Gallons of Alcoholic Beverages Subject to Imposition of Excise Taxes in Nevada



Adjusted for population, imports/manufacture of alcoholic beverages in Nevada declined in the years following the 75 percent rate increase per SB 8 of the 2003 Special Session, as Figure 2 indicates.

Figure 2. Gallons of Alcoholic Beverages Subject to Imposition of Excise Taxes per Capita in Nevada

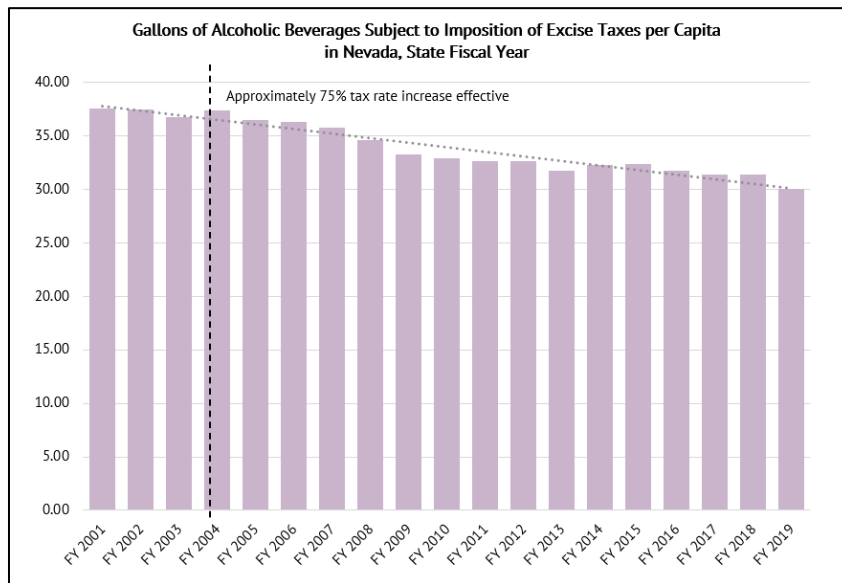


Figure 3 breaks out gallons of alcoholic beverages on the basis of tax rate classification (or “categories).” [Most conventional descriptions map “0.5% to 14% alcohol content by volume” to wine and “over 22 percent alcohol content by volume” to distilled spirits. “Over 14% up to 22% alcohol content by volume” does not have a readily available analogue to a preexisting beverage category.]

Figure 3. Gallons of Alcoholic Beverages Subject to Imposition of Excise Taxes in Nevada

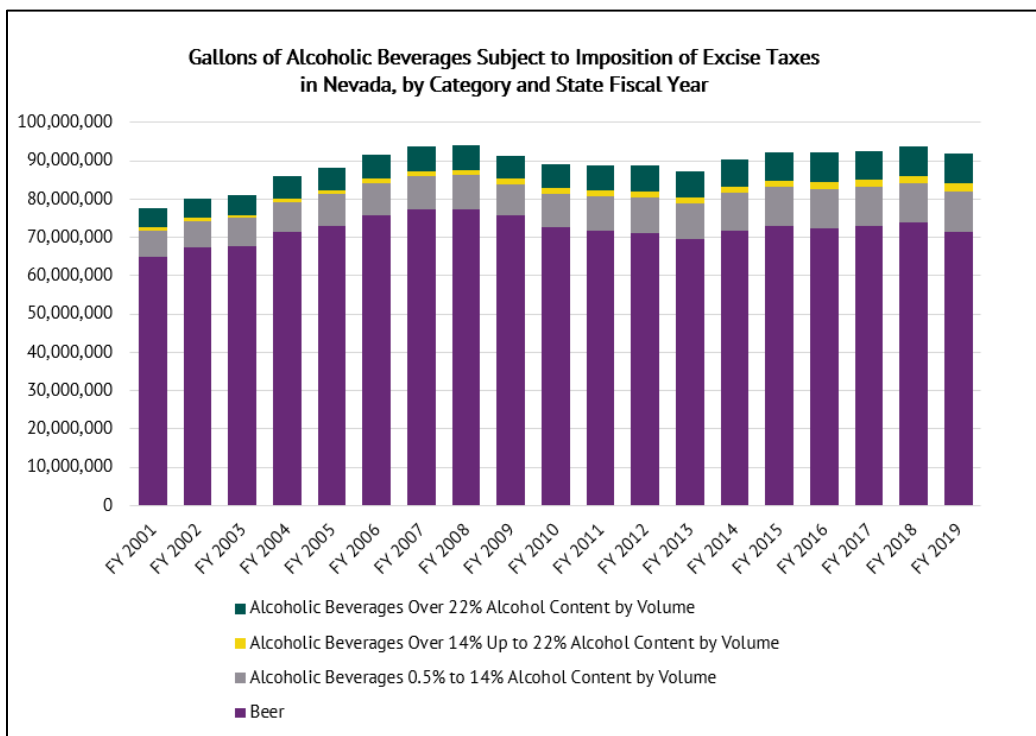
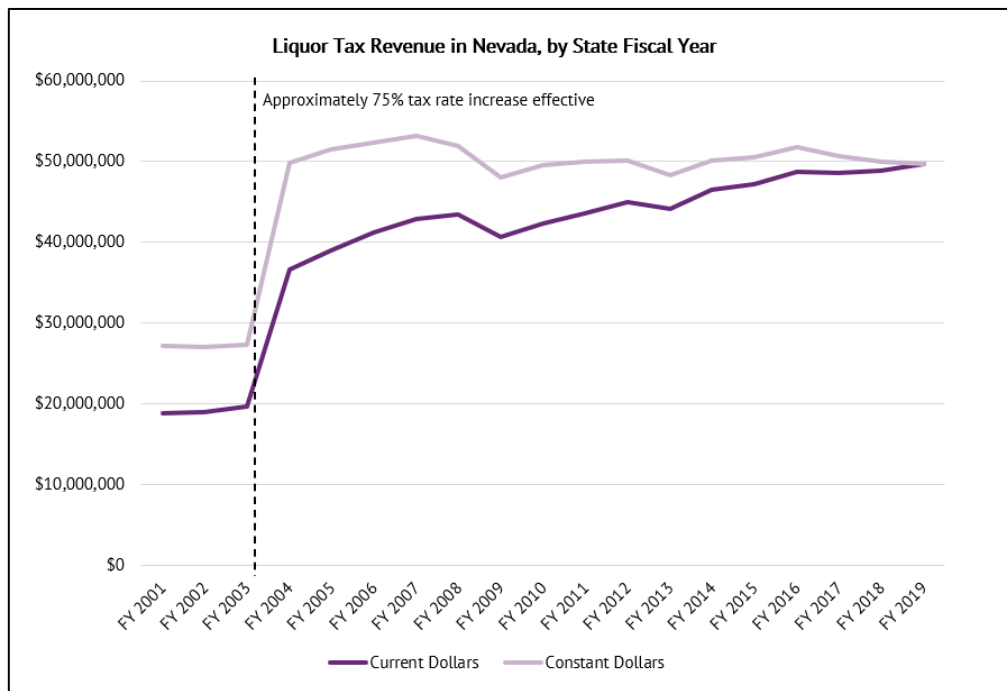


Figure 4 displays liquor tax revenue in Nevada for FY 2001-2019. What is noticeable in Figure 4 is the impact of the tax rate increase that went into effect on August 1, 2003, under SB 8 (2003 Special Session). It is indicated by the dotted vertical line in Figure 4. Tax rates increased by about 75 percent over the preexisting rates that were established in 1983. Specifically, rates were raised as follows:

- Beer (malt beverage): from \$0.09 per gallon to \$0.16 per gallon (77.8 percent increase)
- 0.5 percent up to 14 percent alcohol content by volume: from \$0.40 per gallon to \$0.70 per gallon (75 percent increase)
- Over 14 percent up to 22 percent alcohol content by volume: from \$0.75 per gallon to \$1.30 per gallon (73.3 percent increase)
- Over 22 percent alcohol content by volume: from \$2.05 per gallon to \$3.60 per gallon (75.6 percent increase)

Figure 4. Liquor Tax Revenue in Nevada, by State Fiscal Year



Raising the tax rates yielded a considerable revenue increase. Between FY 2003 and FY 2004 – the first year that the new rates were in effect – liquor tax revenue in current dollars increased by 85.9 percent; adjusted for inflation, the increase was 81.9 percent. Actual liquor tax revenue nearly doubled between FY 2001 and FY 2004. Between FY 2004 and FY 2019, liquor tax revenue has ranged from \$48 million to \$53 million in real dollars. This would suggest that liquor taxes provide a fairly stable and predictable source of revenue for the State.

Liquor Tax Rates and Revenue in Comparative Context

Below we compare liquor tax rates in Nevada with other states that do not impose a state income tax – Alaska, Florida, South Dakota, Texas, Washington, and Wyoming. Table 1 delineates tax rates for distilled spirits, wine, and beer for each state. (See a full table in Appendix A.) Compared with other states that do not impose a state income tax, Nevada’s liquor tax rates are relatively low.

Table 1. State Excise Taxes on Alcoholic Beverages (Dollars per Gallon) in States Without a State Income Tax, 2019

State Excise Taxes on Alcoholic Beverages (Dollars per Gallon): States Without a State Income Tax, 2019						
State	Distilled Spirit Taxes	Rank	Wine Taxes	Rank	Beer Taxes	Rank
Washington	\$32.52	1	\$0.87	26	\$0.26	25
Alaska	\$12.80	8	\$2.50	2	\$1.07	2
Florida	\$6.50	22	\$2.25	3	\$0.48	12
South Dakota	\$4.67	34	\$1.31	16	\$0.27	23
Nevada	\$3.60	40	\$0.70	31	\$0.16	37
Texas	\$2.40	47	\$0.20	T-46	\$0.20	30
Wyoming	\$0.95	50	\$0.28	44	\$0.02	51

Note: Tax rates re-ranked by the Guinn Center and include all states, plus the District of Columbia. Wyoming controls the wholesale distribution of wine and spirits in its state.

The contribution of alcohol taxes to total state and local government tax revenue for Nevada and the same comparison states is shown in Table 2. (The full table is in Appendix B.) Alcohol taxes constitute a relatively small share of total state and local government tax revenue.

Table 2. Alcoholic Beverage Tax Revenue as a Share of Total State and Local Government Tax Revenue: States Without a State Income Tax, 2017

Alcoholic Beverage Tax Revenue as a Share of Total State and Local Government Tax Revenue: States Without a State Income Tax, 2017				
State	Total State and Local Government Tax Revenue	Alcoholic Beverage Tax Revenue	Share	Rank
Alaska	\$3,029,491,000	\$45,922,000	1.52%	3
Texas	\$117,851,746,000	\$1,228,641,000	1.04%	5
Washington	\$39,663,423,000	\$354,939,000	0.89%	8
South Dakota	\$3,720,324,000	\$17,095,000	0.46%	20
Florida	\$77,735,942,000	\$323,393,000	0.42%	22
Nevada	\$13,433,789,000	\$45,011,000	0.34%	29
Wyoming	\$2,817,020,000	\$1,878,000	0.07%	51
U.S. Average	\$1,652,829,219,000	\$7,296,727,000	0.44%	–

Liquor Tax Revenue Projections in Nevada

Nevada’s elected officials may explore a suite of policy options to manage budget shortfalls resulting from decreased tax revenues following the coronavirus pandemic. Among this suite of policy options is consideration of raising revenues from new and/or existing sources. If policymakers were to consider raising liquor tax rates, how much might liquor tax revenue increase?

Our team proposes three hypothetical scenarios under which liquor tax rates would increase by a certain percentage, as follows:

- 1) **Scenario 1.** A 50 percent increase over the current tax rates, modeled on the provisions of SB 275 that was proposed, but not enacted, during the 78th (2015) Legislative Session. Each of the four tax rates would increase over the current rates by exactly 50 percent.
- 2) **Scenario 2.** An approximately 75 percent increase over the current tax rates, modeled on the provisions of SB 8 enacted in the 20th (2003) Special Session. The liquor tax rates established by SB 8 remain in effect, so in this scenario, the increase is formulated on the basis of the 75 percent increase, not the actual tax rate changes (which would result in no change).
- 3) **Scenario 3.** A 100 percent increase whereby each of the four tax rates would increase over the current rates by exactly 100 percent.

Rates and potential revenue yields are presented in Table 3, and hypothetical liquor revenue, by State fiscal year, is displayed in Figure 5. In advance, some additional points merit attention.

- We assume that total gallons of alcoholic beverages upon which excise taxes are imposed remain flat at FY 2019 levels for each category.
- The hypothetical scenarios also are premised on the assumption that the new rates would go into effect beginning in the upcoming biennium (FY 2022 and FY 2023).
- Hypothetical liquor tax revenue projections in Table 3 are based on biennium totals for the upcoming biennium, or the 2021 – 2023 biennium (i.e., FY 2022 and FY 2023).
- To gauge potential accuracy of our projections, we calculated liquor tax revenue for FY 2019 and compared it with actual liquor tax revenue reported by the Nevada Department of Taxation. Our estimates exceeded actual liquor tax revenue by \$34,749, for a 0.1 percent difference. That is sufficiently negligible as to suggest that our results are robust to projections.

Table 3 and Figure 5 show that, under Scenario 1, with a 50 percent increase to the liquor tax rate, total liquor tax revenue would increase in kind (by 50 percent) to about \$74.5 million in each FY 2022 and FY 2023, for a biennium total of around **\$149.1 million**. Under Scenario 2, total biennial liquor tax revenue realized would increase to roughly **\$173.9 million**, or a 75 percent increase per fiscal year in accordance with the liquor tax rate increases. A maximal increase, or a 100 percent increase over the current liquor tax rates, would yield nearly **\$198.8 million** over the biennium, and in tandem, double the FY 2019 amount of liquor tax revenue for each FY 2022 and FY 2023.

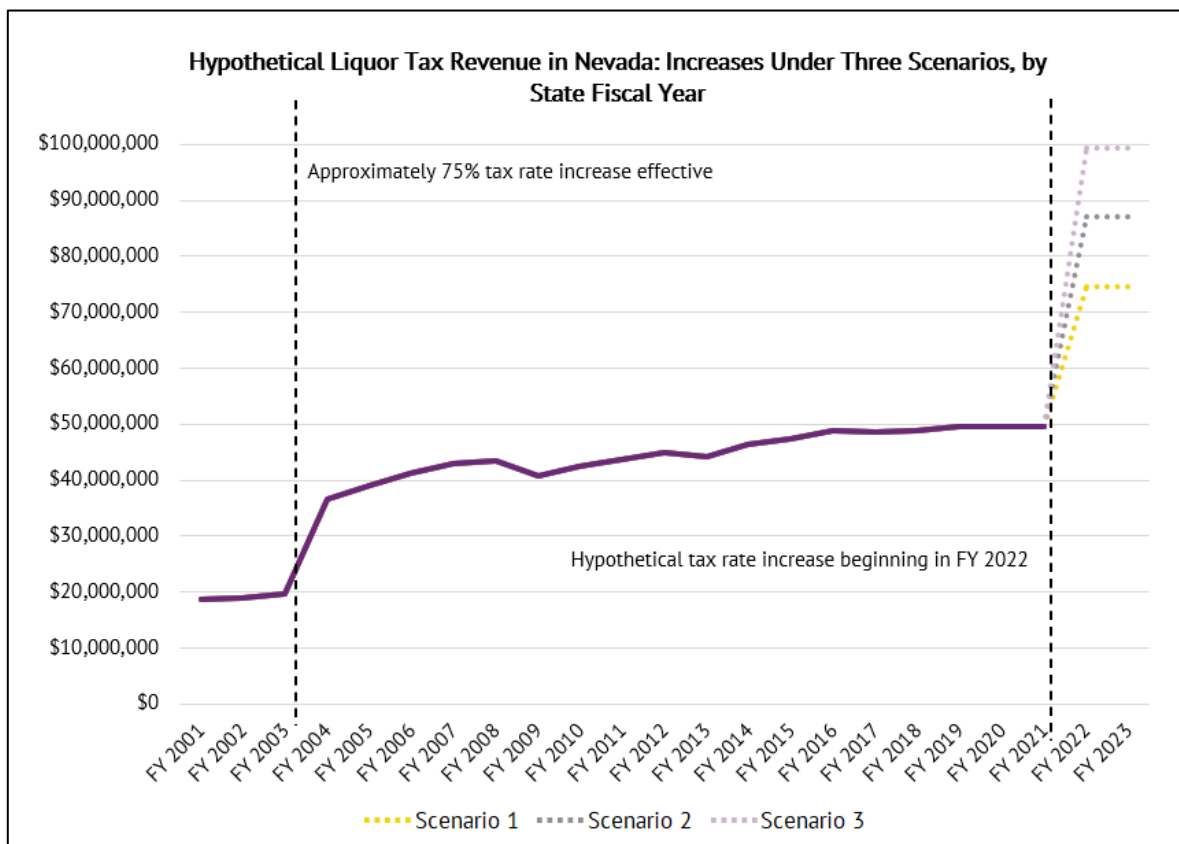
Note: The Guinn Center does not take a position on whether liquor tax rates should be increased. The projections presented in Table 3 and displayed in Figure 5 are for informational purposes only.

Table 3. Hypothetical Liquor Tax Revenue in Nevada: Increases Under 3 Scenarios for the 2021 – 2023 Biennium

Hypothetical Liquor Tax Revenue in Nevada: Increases Under Three Scenarios for the 2021 – 2023 Biennium								
Category (FY 2019)	Gallons (FY 2019)	Current Liquor Tax Rate	Scenario 1		Scenario 2		Scenario 3	
			Proposed Tax Rate (increases to)	2021-2023 Liquor Tax Revenue	Proposed Tax Rate (increases to)	2021-2023 Liquor Tax Revenue	Proposed Tax Rate (increases to)	2021-2023 Liquor Tax Revenue
Beer	71,415,131	\$0.16	\$0.24	\$34,279,263	\$0.28	\$39,992,473	\$0.32	\$45,705,684
Alcoholic Beverages 0.5% to 14% Alcohol Content by Volume	10,677,534	\$0.70	\$1.05	\$22,422,821	\$1.23	\$26,159,958	\$1.40	\$29,897,095
Alcoholic Beverages Over 14% Up to 22% Alcohol Content by Volume	1,987,756	\$1.30	\$1.95	\$7,752,248	\$2.28	\$9,044,290	\$2.60	\$10,336,331
Alcoholic Beverages Over 22% Alcohol Content by Volume	7,837,545	\$3.60	\$5.40	\$84,645,486	\$6.30	\$98,753,067	\$7.20	\$112,860,648
Total	91,917,966			\$149,099,819		\$173,949,788		\$198,799,758

Note: Tax rate is the per gallon rate.

Figure 5. Hypothetical Liquor Tax Revenue in Nevada: Increases Under Three Scenarios



Appendix A. State Excise Taxes on Alcoholic Beverages (Dollars per Gallon), 2019 (Note T=tied)

State	Distilled Spirit Taxes	Rank	Wine Taxes	Rank	Beer Taxes	Rank
Alabama	\$19.15	4	\$1.70	T-6	\$1.05	3
Alaska	\$12.80	8	\$2.50	2	\$1.07	2
Arizona	\$3.00	44	\$0.84	27	\$0.16	T-37
Arkansas	\$7.73	18	\$1.44	11	\$0.34	20
California	\$3.30	41	\$0.20	T-46	\$0.20	T-30
Colorado	\$2.28	48	\$0.32	T-40	\$0.08	T-46
Connecticut	\$5.40	T-30	\$0.72	T-29	\$0.23	T-28
Delaware	\$4.50	35	\$1.63	8	\$0.26	T-25
District of Columbia	\$6.19	24	\$1.83	4	\$0.71	8
Florida	\$6.50	22	\$2.25	3	\$0.48	12
Georgia	\$3.79	38	\$1.51	T-9	\$1.01	4
Hawaii	\$5.98	26	\$1.38	15	\$0.93	5
Idaho	\$10.95	11	\$0.45	38	\$0.15	39
Illinois	\$8.55	15	\$1.39	14	\$0.23	T-28
Indiana	\$2.68	45	\$0.47	37	\$0.12	T-42
Iowa	\$13.07	7	\$1.75	5	\$0.19	33
Kansas	\$2.50	46	\$0.30	T-42	\$0.18	T-34
Kentucky	\$8.04	17	\$3.26	1	\$0.87	6
Louisiana	\$3.03	43	\$0.76	28	\$0.40	T-17
Maine	\$12.00	9	\$0.60	33	\$0.35	19
Maryland	\$5.02	32	\$1.43	12	\$0.54	10
Massachusetts	\$4.05	37	\$0.55	T-34	\$0.11	45
Michigan	\$11.99	10	\$0.51	36	\$0.20	T-30
Minnesota	\$8.96	14	\$1.20	18	\$0.49	11
Mississippi	\$8.15	16	–	–	\$0.43	13
Missouri	\$2.00	49	\$0.42	39	\$0.06	T-49
Montana	\$9.78	13	\$1.06	20	\$0.14	T-40
Nebraska	\$3.75	39	\$0.95	24	\$0.31	21
Nevada	\$3.60	40	\$0.70	31	\$0.16	T-37
New Hampshire	–	–	\$0.30	T-42	\$0.30	22
New Jersey	\$5.50	28	\$0.88	25	\$0.12	T-42
New Mexico	\$6.06	25	\$1.70	T-6	\$0.41	T-15
New York	\$6.44	23	\$0.30	T-42	\$0.14	T-40
North Carolina	\$14.63	6	\$1.00	T-21	\$0.62	9
North Dakota	\$4.92	33	\$0.98	23	\$0.42	14
Ohio	\$9.87	12	\$0.32	T-40	\$0.18	T-34
Oklahoma	\$5.56	27	\$0.72	T-29	\$0.40	T-17
Oregon	\$21.98	2	\$0.67	32	\$0.08	T-46
Pennsylvania	\$7.24	21	–	–	\$0.08	T-46
Rhode Island	\$5.40	T-30	\$1.40	13	\$0.12	T-42
South Carolina	\$5.42	29	\$1.08	19	\$0.77	7
South Dakota	\$4.67	34	\$1.31	16	\$0.27	T-23
Tennessee	\$4.46	36	\$1.27	17	\$1.29	1
Texas	\$2.40	47	\$0.20	T-46	\$0.20	T-30
Utah	\$15.96	5	–	–	\$0.41	T-15
Vermont	\$7.72	19	\$0.55	T-34	\$0.27	T-23
Virginia	\$19.93	3	\$1.51	T-9	\$0.26	T-25
Washington	\$32.52	1	\$0.87	26	\$0.26	T-25
West Virginia	\$7.67	20	\$1.00	T-21	\$0.18	T-34
Wisconsin	\$3.25	42	\$0.25	45	\$0.06	T-49
Wyoming	\$0.95	50	\$0.28	44	\$0.02	51

Note: Tax rates re-ranked by the Guinn Center. Wyoming controls the wholesale distribution of wine and spirits in its state.

Appendix B. Alcoholic Beverage Tax Revenue as a Share of Total State and Local Government Tax Revenue: States Without a State Income Tax, 2017

State	Total State and Local Government Tax Revenue	Alcoholic Beverage Tax Revenue	Percent	Rank
Alabama	\$16,427,707,000	\$266,157,000	1.62%	2
Alaska	\$3,029,491,000	\$45,922,000	1.52%	3
Arizona	\$25,832,448,000	\$74,126,000	0.29%	31
Arkansas	\$12,026,975,000	\$61,897,000	0.51%	18
California	\$243,141,970,000	\$370,714,000	0.15%	46
Colorado	\$27,528,947,000	\$44,866,000	0.16%	42
Connecticut	\$27,638,197,000	\$63,155,000	0.23%	34
Delaware	\$4,676,218,000	\$20,577,000	0.44%	21
District of Columbia	\$7,455,868,000	\$6,641,000	0.09%	49
Florida	\$77,735,942,000	\$323,393,000	0.42%	22
Georgia	\$38,940,992,000	\$340,596,000	0.87%	9
Hawaii	\$9,457,287,000	\$51,167,000	0.54%	17
Idaho	\$6,366,221,000	\$9,788,000	0.15%	45
Illinois	\$73,702,045,000	\$365,207,000	0.50%	19
Indiana	\$26,048,225,000	\$49,669,000	0.19%	38
Iowa	\$15,693,194,000	\$22,535,000	0.14%	47
Kansas	\$13,484,802,000	\$137,801,000	1.02%	6
Kentucky	\$17,342,836,000	\$146,227,000	0.84%	11
Louisiana	\$19,979,339,000	\$79,270,000	0.40%	23
Maine	\$7,079,352,000	\$19,266,000	0.27%	33
Maryland	\$37,964,460,000	\$32,151,000	0.08%	50
Massachusetts	\$45,061,498,000	\$85,397,000	0.19%	39
Michigan	\$41,757,105,000	\$159,378,000	0.38%	26
Minnesota	\$34,390,945,000	\$94,205,000	0.27%	32
Mississippi	\$10,937,042,000	\$41,818,000	0.38%	25
Missouri	\$23,339,584,000	\$37,863,000	0.16%	43
Montana	\$4,104,915,000	\$32,926,000	0.80%	12
Nebraska	\$9,816,590,000	\$30,911,000	0.31%	30
Nevada	\$13,433,789,000	\$45,011,000	0.34%	29
New Hampshire	\$6,702,555,000	\$12,678,000	0.19%	40
New Jersey	\$62,801,154,000	\$137,814,000	0.22%	36
New Mexico	\$8,482,348,000	\$46,724,000	0.55%	16
New York	\$177,750,542,000	\$283,504,000	0.16%	44
North Carolina	\$40,686,219,000	\$469,339,000	1.15%	4
North Dakota	\$5,033,003,000	\$8,872,000	0.18%	41
Ohio	\$54,009,279,000	\$118,945,000	0.22%	35
Oklahoma	\$13,888,998,000	\$118,260,000	0.85%	10
Oregon	\$19,542,849,000	\$18,796,000	0.10%	48
Pennsylvania	\$66,521,406,000	\$426,048,000	0.64%	14
Rhode Island	\$5,878,675,000	\$20,873,000	0.36%	28
South Carolina	\$17,685,205,000	\$178,446,000	1.01%	7
South Dakota	\$3,720,324,000	\$17,095,000	0.46%	20
Tennessee	\$22,872,943,000	\$407,448,000	1.78%	1
Texas	\$117,851,746,000	\$1,228,641,000	1.04%	5
Utah	\$12,608,887,000	\$50,002,000	0.40%	24
Vermont	\$3,804,507,000	\$26,028,000	0.68%	13
Virginia	\$40,599,697,000	\$224,426,000	0.55%	15
Washington	\$39,663,423,000	\$354,939,000	0.89%	8
West Virginia	\$7,185,678,000	\$26,134,000	0.36%	27
Wisconsin	\$28,328,777,000	\$61,203,000	0.22%	37
Wyoming	\$2,817,020,000	\$1,878,000	0.07%	51
U.S. Average	\$1,652,829,219,000	\$7,296,727,000	0.44%	