

MEMORANDUM

OKLAHOMA TAX COMMISSION TAX POLICY DIVISION

Date: May 16, 2016

To: Rick Miller
Director of the Tax Policy and Research Division

From: Marc Morrison
Tax Policy Analyst

Subject: Committee Substitute for HB 3211

This memo is regarding House Bill 3211 which proposes to raise the current \$11.25 per barrel excise tax rate on low-point beer to \$45.00 per barrel and apportions the first \$11.25 of the tax to the General Revenue Fund with the remaining \$33.75 apportioned to the state and cities and counties that levy a sales tax, in the proportions which each entity received in sales tax in the preceding month. The amount allocated to the state shall be apportioned pursuant to Section 1353 of Title 68.

Section 2- 68 O.S. § 1355

Exempts from the sales tax levy, sales of low point beer on which tax levied in Section 163.3 of Title 37 has been paid.

In FY 15, excise taxes collected on low-point beer totaled \$22,974,491 at the current tax rate of \$11.25 per barrel. An estimated \$68,923,000 in low-point beer excise tax will be collected as a result of the proposed rate increase. As of January 2015, approximately 8,000¹ entities with low-point beer retailer permits relating to approximately 8,400 locations were responsible for the collection and remittances of sales taxes from the sale of low-point beer. However, currently only 40² entities licensed as Oklahoma wholesalers of low-point beer remit excise taxes thereon. With fewer entities to regulate, compliance should increase yielding an increase in revenue in the estimated amounts of \$5,000,000 [state] \$3,469,500 [city] and \$649,500 [county].

¹ These entities include establishments such as restaurants, bars, and clubs that sell beer for on-premise consumption in bottle, can, or draft, as well as, establishments such as grocery stores and convenience stores that sell beer for off-premise consumption.

² Includes brew pubs (micro breweries).