*Fiscal Facts by Wisconsin Policy Forum*

**Alcohol tax revenues surge during pandemic**

State excise tax revenues from the sale of alcoholic beverages rose nearly 17% in the 2021 fiscal year, an annual increase that tops 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.

Most states have seen alcohol tax revenues increase during fiscal 2021, national data shows. Yet while state-to-state data provides an imperfect basis for comparison, it suggests Wisconsin’s recent increases may outpace most other states.

Revenues from the state’s excise taxes on alcoholic beverage sales 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).

According to figures from the state’s Annual Fiscal Report and the preliminary DOR data, 2021 is likely to mark the largest percentage increase in alcohol tax revenues in Wisconsin since 1972. In more than six decades of available data, the only two fiscal years with larger percentage jumps — 1972 and 1964 — had increases in wine tax rates. The 1972 fiscal year also included a liquor tax increase and a lowering of the legal drinking age.

Alcohol excise taxes in Wisconsin are based on the volume of beverage sold, rather than its price. The rates vary depending on the type of alcoholic beverage: beer, wine, hard cider, or liquor. The state’s general 5% sales tax also applies to alcohol sales and is collected by retailers based on price; those revenues are not included in this analysis.

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. 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 of greater significance.

Surveys routinely show Wisconsinites engage in binge drinking more frequently than residents in most other states. Research has shown recent increases in alcohol-related driving deaths in Wisconsin during the pandemic. Total deaths related to alcohol in Wisconsin also have been increasing, as has been true nationally, over the last two decades.

Many individuals may have increased alcohol consumption during the pandemic while maintaining moderation. However, if rising consumption levels continue and additional public health impacts materialize, then policymakers may need to consider taking action.

*This information is provided to Wisconsin Newspaper Association members as a service of the Wisconsin Policy Forum, the state’s leading resource for nonpartisan state and local government research and civic education. Learn more at wispolicyforum.org.*