

LEGISLATIVE FISCAL ESTIMATE TO
ASSEMBLY, No. 2851
STATE OF NEW JERSEY

DATED: JUNE 11, 1997

Assembly Bill No.2851 of 1997 reduces the alcoholic beverage tax rate for certain types of apple cider. Currently, the alcoholic beverage tax imposed on alcoholic apple cider is \$.70 per gallon, the same rate imposed on the sale of wine. Under this legislation, apple cider that has an alcoholic content of 3.2 percent or more up to 7 percent will be taxed at a rate of \$.12 per gallon, a rate similar to the tax imposed on beer.

The Office of Legislative Services (OLS) is unable to provide a precise estimate of the revenue loss associated with this bill because there are insufficient data available on the sales of alcoholic apple cider in New Jersey. However, extrapolating from national data based on New Jersey's share of the national gross domestic product, New Jerseyans consumed between 285,000 gallons and 330,000 gallons of alcoholic apple cider in 1996. This level of consumption generated between \$199,500 and \$231,000 in alcoholic beverage tax revenue. If this legislation were in effect in 1996, the reduced tax rate would have collected between \$34,200 and \$39,600 for the same level of consumption, and the resulting revenue loss from this legislation would have been between \$165,300 and \$191,400.

These revenue loss figures are an appropriate estimate given the available data. However, recent articles in the *Wall Street Journal* and the *New York Times*, examining trends in the alcoholic apple cider industry, suggest that alcoholic apple cider consumption has experienced significant growth in the past three years. These articles, based on data from a market-research service that tracks the beverage industry, report that alcoholic apple cider sales have doubled in each of the past three years. If this trend continues, the potential revenue losses associated with this legislation will increase at similarly high rates in the years ahead. However, the OLS has been unable to confirm these industry growth rates.

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.