

This publication summarizes the taxes imposed on liquor and other alcoholic beverages. These taxes can be found in [Minnesota Statutes, chapter 297G](#).

Liquor tax rates

Minnesota imposes two types of special taxes on alcoholic beverages: excise tax and gross receipts tax.

Excise tax. This tax is imposed on manufacturers, wholesalers, or brewers of alcoholic beverages. The tax is reported and remitted monthly to the Department of Revenue. The tax rates vary by beverage type, and are a fixed dollar amount per unit (barrel or liter) of the beverage. Additionally, a special “bottle tax” of one cent per bottle also applies to each wine and liquor bottle that is 200 milliliters or larger. The table below shows the applicable rates for the most common beverage categories:

Because the excise taxes are fixed dollar amounts, they do not vary by the price of the product. Higher priced products pay the same tax as lower priced products. Thus, revenues grow only as more liters or barrels of the products are sold.

The excise taxes do not automatically adjust for inflation. For this to occur, the legislature must take direct action to increase the tax rates periodically. Historically, the legislature has only done so sporadically (most recently in 1987).

The following products are exempt from this tax:

- Sacramental wine
- Products sold to food processors and pharmaceutical companies
- The first 25,000 barrels of beer produced by a brewery with annual production of less than 250,000 barrels (31 gallons)

Beverage Type	Excise Tax Per	
	Gallon	Liter
Beer < 3.2% alcohol	\$0.08	NA
Beer > 3.2% alcohol	0.15	NA
Cider < 7% alcohol	0.15	NA
Low-alcohol dairy cocktails	0.08	\$0.02
Wine < 14% alcohol	0.30	0.08
Wine > 14% alcohol	0.95	0.25
Sparkling wine	1.82	0.48
Distilled spirits*	5.03	1.33

* Unlike the tax at the federal level, Minnesota tax on distilled spirits is imposed on the volume of the beverage sold, rather than its alcoholic content.

Gross receipts tax. A tax of 2.5 percent is imposed on retailers making both on-sale (to be consumed in bars or restaurants) and off-sale (in liquor stores or by other sellers) sales. This tax is typically paid by the consumer and applies to the purchase price of the beverage sold. This tax is imposed in addition to the state sales tax, as well as any applicable local sales taxes. [Minn. Stat. § 295.75](#).

Use tax. A use tax may apply to alcoholic beverages purchased out-of-state for use in Minnesota. The use tax applies if, in one month, an individual brings into Minnesota from another state more than one liter of liquor or 288 ounces of malt liquor. Similarly, the use tax applies to international purchases of more than four liters of liquor or 320 ounces of malt liquor.

Tax credits

Minnesota law allows certain entities to claim a tax credit based on volume of the beverage sold. Annual production limitations are measured on the calendar year from January 1 to December 31. However,

application of the tax credit runs on the state fiscal year, July 1 to June 30, and are applied in the fiscal year after qualification. Eligible entities must report their total production amounts to the Department of Revenue each December.

Brewery credit. A brewery with annual production amounts under 250,000 barrels may take a tax credit of \$4.60 per barrel on up to 25,000 barrels per year.

Microdistillery credit. A microdistillery with annual production amounts under 40,000 proof gallons may take a tax credit of \$1.33 per liter on up to 100,000 liters of distilled spirits sold per year.

Small winery credit. A winery with annual production amounts under 75,000 gallons of wine or cider may claim a tax credit equal to the amount of excise tax it owes, up to \$136,275 per year.

Annual revenues

Revenues from both the excise taxes and the gross receipts tax go to the general fund. Fiscal year 2019 revenues from the excise taxes were about \$93 million and from the gross receipts tax, about \$95 million.

The table to the right shows the collections by beverage type for the excise tax and for the gross receipts tax. The excise tax revenue from liquor reflects the higher rates imposed on these products, rather than their share of the market (measured by dollars spent).

Beverage Type	FY2019 Revenues (000)	% of Total
Beer	\$15,260	8.15%
Wine	7,764	4.14
Distilled Spirits	69,451	37.08
Excise tax total	92,437	49.35
2.5% gross receipts tax	94,840	50.63
Total	\$187,315	

Source: MN Department of Revenue

Neighboring state comparison

Minnesota's wine and beer excise taxes are average or below average compared with most other states. The table compares Minnesota's tax rates with its bordering states as of January 1, 2019.

Minnesota's tax on distilled spirits (liquor) is among the higher taxes for states with excise taxes. A number of states (including Iowa) have state liquor monopolies, meaning the state government controls alcohol wholesale and retail sale of liquor. In these states a portion of the price markup is a de facto tax and thus it is difficult to compare the tax burden with these states. Only North Dakota imposes a gross receipts tax (at a 2 percent rate) similar to Minnesota's. Thus, the total Minnesota alcohol tax burden is higher than suggested by simply comparing excise tax burdens.

Excise Tax Rates (per gallon) Bordering States			
	Strong Beer	Table Wine	Liquor
IA	\$.19	\$1.75	NA
MN	.15	.30	\$5.03
ND	.16	.50	2.50
SD	.27	.93	3.93
WI	.06	.25	3.25

Source: Federation of Tax Administrators



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