
Commerce & Gaming Committee

HB 2502

Brief Description: Concerning low-proof alcoholic beverages.

Sponsors: Representative Pettigrew.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Adds a definition of "low-proof beverage" to liquor statutes.• Provides that the distribution and sale of low-proof beverages are treated as and subject to the same taxes, fees, and regulations as the distribution and sale of wine.
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Hearing Date: 1/28/20

Staff: Peter Clodfelter (786-7127).

Background:

State law regulates the manufacture, distribution, and retail sale of liquor including spirits, wine, and malt liquor. "Spirits" are defined as any beverage which contains alcohol obtained by distillation, except flavored malt beverages, but including wines exceeding 24 percent of alcohol by volume.

"Wine" is defined as any alcoholic beverage obtained by fermentation of fruits (grapes, berries, apples, et cetera) or other agricultural product containing sugar, to which any saccharine substances may have been added before, during or after fermentation, and containing not more than 24 percent of alcohol by volume, including sweet wines fortified with wine spirits, such as port, sherry, muscatel, and angelica, not exceeding 24 percent of alcohol by volume and not less than 0.5 percent of alcohol by volume.

"Malt liquor" is defined as any beverage such as beer, ale, lager beer, stout, and porter obtained by the alcoholic fermentation of an infusion or decoction of pure hops, or pure extract of hops and pure barley malt or other wholesome grain or cereal in pure water containing not more than 8 percent of alcohol by weight, and not less than 0.5 percent of alcohol by volume.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Certain regulatory provisions apply to all tiers of the liquor industry equally; although, typically, different licenses, fees, taxes, privileges, and limitations apply to the manufacture, distribution, and sale of spirits, wine, and beer, respectively.

State taxes and fees applicable to sales of spirits include the following:

- A 17 percent spirits retail license issuance fee applies to sales of original containers of spirits by spirits retail licensees and by distilleries (but craft distilleries are exempt from the fee, and former state store auction buyers and former contract liquor store managers are exempt from the fee when selling spirits to retailers licensed to sell spirits for consumption on the premises for resale at their licensed premises).
- A 5 percent spirits distributor license fee applies to spirits distributor sales to retailers (or a 10 percent fee in the first 27 months of the distributor's licensure).
- There are retail taxes, paid by consumers, on the retail sale of spirits in the original package, equivalent to 20.5 percent of the selling price, plus taxes equivalent to \$3.7708 per liter on the packaged spirits.
- There are taxes, paid by restaurant liquor licensees purchasing spirits from spirits distributors or other licensees acting as a distributor of spirits, equivalent to 13.7 percent of the selling price, plus a tax of \$2.4408 per liter on the packaged spirits.

The regular retail sales and use tax does not apply to sales of spirits unopened in the original container. But it does apply to sales of spirits by the individual glass. State taxes applicable to the sale of wine apply when wine is sold to wine distributors, sold directly to consumers on the winery premises, and sold through direct shipment to consumers and retailers. For each of these sales, there is a per liter tax equivalent to \$0.2292 for table wine, and \$0.4536 per liter for fortified wine. Generally, table wine is defined as having 14 percent or less alcohol by volume, while fortified wine has more than 14 percent alcohol by volume. State sales and use tax also applies to retail sales of wine in the original container and on wine consumed on a retailer's premises. Business and occupation taxes also apply to the manufacture, wholesale sale, and retail sale of all types of liquor.

Summary of Bill:

A definition of "low-proof beverage" is added to state liquor statutes. It means any beverage, the alcohol in which is derived from distillation and which contains no more than 7 percent alcohol by volume, but does not include malt beverages or malt liquor.

It is provided that the distribution and sale of low-proof beverages are treated as and subject to the same taxes, fees, and regulations as the distribution and sale of wine.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.