SB 75

Department of Legislative Services
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 75 (Senator Madaleno)
Education, Health, and Environmental Affairs Economic Matters

Alcoholic Beverages - Maximum Alcohol Content

This bill prohibits a person from selling at retail an alcoholic beverage with an alcohol content by volume of 95% (190 proof) or more. A person who violates this provision is guilty of a misdemeanor and subject to a fine not exceeding $1,000.

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: General fund revenues may increase minimally as a result of the bill's monetary penalty provision from cases heard in the District Court. It is assumed that the bill's prohibition does not significantly affect general fund revenues from the alcoholic beverage excise tax or the sales tax on alcoholic beverages, as discussed below. The Comptroller can enforce the bill using existing budgeted resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law/Background: An alcoholic beverage containing 95% alcohol (190 proof) or more is often referred to as "grain alcohol." The retail sale of grain alcohol is illegal or restricted for nonpotable use in at least a dozen states, including neighboring Pennsylvania, Virginia, and West Virginia.

Although the amount of alcohol in other beverages can vary by brand, most liquors contain 40-50% alcohol (80-100 proof).

Distilled spirits are taxed at $1.50 per gallon, with an additional 1.5 cents taxed for each 1 proof over 100. The State sales tax on alcoholic beverages is 9%. Revenue from both the alcoholic beverage excise tax and the State sales tax on alcoholic beverages is deposited into the general fund.

State Revenues: According to the Comptroller's Office, approximately 10.7 million gallons of distilled spirits were sold in Maryland at the wholesale level in fiscal 2013, generating $15.8 million in alcoholic beverage excise tax revenue.

Although the Comptroller's Office does not have exact data on the amount of grain alcohol that is currently sold in Maryland, it assumes that sales of grain alcohol are minimal. It is further assumed that, under the bill, individuals who currently purchase grain alcohol simply purchase another form of alcohol instead. Accordingly, the revenue loss associated with the prohibition on the retail sale of grain alcohol is partially offset from tax revenues generated from the sale of other forms of alcoholic beverages. (It is not fully offset because the tax rate applicable to grain alcohol is higher than the tax rate applicable to lower-proof distilled spirits.)

Furthermore, limitations on the retail sale of grain alcohol are already in place in the neighboring states of Pennsylvania, Virginia, and West Virginia. Therefore, any potential loss of revenue resulting from customers purchasing grain alcohol in neighboring states is likely minimal.

Additional Information

Prior Introductions: SB 905 of 2010 and SB 295 of 2009 both passed the Senate, but received unfavorable reports from the House Economic Matters Committee.

Cross File: None.

Information Source(s): Comptroller's Office, Judiciary (Administrative Office of the Courts), Department of Legislative Services

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Analysis by: Trevor S. Owen

Direct Inquiries to:
(410) 946-5510
(301) 970-5510