

Department of Legislative Services  
Maryland General Assembly  
2000 Session

**FISCAL NOTE**

Senate Bill 685 (Senator Harris)  
Economic and Environmental Affairs

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**Alcoholic Beverages - Personal Consumption Import License**

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This bill creates a State personal consumption import (PCI) alcoholic beverages license issued by the Office of the Comptroller. The holder of a PCI license may accept delivery of up to one case per month of alcoholic beverages that are shipped from outside of the jurisdiction of the licensee's local board of license commissioners. The annual licensing fee is \$10 and holders of the license must also pay to the Comptroller all applicable taxes on the beverages they receive. A licensee may not designate any other person to accept delivery of shipped beverages.

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**Fiscal Summary**

**State Effect:** The State would collect the licensing fee of \$10 for each PCI license issued. It is expected that revenues generated through taxes paid by licensees would be offset by similar decreases to the taxes collected from local alcoholic beverage retailers.

**Local Effect:** None. The State Comptroller would be responsible for accepting applications, issuing licenses, and establishing and enforcing regulations.

**Small Business Effect:** Potential meaningful.

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**Analysis**

**Current Law:** Alcoholic beverages may not be shipped to individuals. Wholesalers ship alcoholic beverages to licensed retailers, who sell to consumers and pay the appropriate taxes to the State.

**Background:** Chapter 616 of 1999 made the act of delivering alcoholic beverages to a non-licensed recipient a felony. The law was enacted in part to combat the recent proliferation of

Internet alcoholic beverages sites that allow visitors to pay on-line to have alcoholic beverages delivered to their homes. There were concerns about minors acquiring alcoholic beverages through Internet distributors and also about the tax revenue that is lost when a manufacturer or wholesaler delivers straight to an individual. Before Chapter 616 of 1999, the act was only a misdemeanor and was rarely enforced.

Maryland wineries and other alcoholic beverage manufacturers are affected by the ban on residential deliveries because other states will not allow Maryland products to be shipped there if individual Marylanders cannot receive beverages produced in other states. In Virginia, two consumers and three out-of-state wineries recently filed suit to fight direct shipment laws that regulate alcohol. Wine industry groups have recommended that systems be developed to require proof of age at delivery and to ensure that the proper taxes are paid.

**State Revenues:** The Comptroller would collect \$10 annually for each PCI license issued. The licensee would then pay the Comptroller the applicable taxes on the alcoholic beverages received: approximately 29 cents for a case of beer, \$1.27 for a case of wine, or \$4.76 for a case of distilled spirits. It is assumed, however, that if Maryland citizens obtain PCI licenses and begin ordering alcoholic beverages to be delivered to their homes, retail distributors will sell fewer beverages. Therefore, most of the tax revenue collected from PCI licensees would probably be offset by the loss of taxes paid by retail alcoholic beverage licensees. If the overall consumption of alcoholic beverages increases due to customers' ability to choose from a greater selection of beverages, tax revenue would also increase. The major impact of the bill, however, is expected to be through the annual \$10 licensing fees collected by the Comptroller. At this time, the number of licenses that would be issued is unknown.

**Small Business Effect:** Small retail alcoholic beverage licensees in Maryland may be negatively impacted if Maryland citizens purchase PCI licenses and receive alcoholic beverages by delivery instead of in stores or establishments. Small business wineries and beer breweries in Maryland would benefit from the ability to ship directly to Maryland residents and also to other states that allow home delivery of alcoholic beverages. Potentially, wineries and breweries could develop Internet web sites through which Marylanders and residents of other states could order their products.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Office of the Comptroller (Alcohol and Tobacco Tax Division), Kent County, Montgomery County, Prince George's County, Washington County, Worcester County, Department of Legislative Services

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