HB 1020

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 1020 (Delegate Franchot)
Economic Matters

Alcoholic Beverages - Wine - Personal Consumption Import License

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This bill creates a State personal consumption import (PCI) wine license to be issued by the Office of the Comptroller. The annual licensing fee is $100. Holders of the PCI license: (1) must be 21 years of age or older; (2) may receive a maximum of one case of wine per month containing not more than nine liters of wine; (3) may not designate any other person to accept delivery of the wine; and (4) must pay an excise tax of $11.42 to the Comptroller upon submitting the application for the PCI license. The bill also provides that if any individual under the age of 21 years is found to have knowingly and willfully accepted delivery of wine, a court shall: (1) order the individual to perform 500 hours of community service; and (2) order the Motor Vehicle Administration (MVA) to begin an action to suspend the driver's license of the individual. If the individual subject to a suspension does not hold a license to operate a motor vehicle on the date of disposition, the suspension shall begin: (1) on the date of disposition if the individual is at least 16 years of age on the date of the disposition; and (2) on the date the individual reaches their sixteenth birthday if the individual is younger than 16 years of age on the date of disposition. The Office of the Comptroller is authorized to adopt regulations to carry out the issuance of PCI licenses.

The bill takes effect October 1, 2001 and sunsets September 30, 2003.

Fiscal Summary

State Effect: General fund revenues would increase by $100 for each PCI license issued and by $11.42 in excise taxes for each applicant. It is expected that revenues generated through excise taxes paid by licensees would be offset by similar decreases in the excise taxes collected from local alcoholic beverage retailers. General fund revenues would decrease due to lost retail sales and use taxes. Potential minimal increase in

Transportation Trust Fund (TTF) expenditures and revenues due to a potential increase in the number of suspended driver's licenses.

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

Small Business Effect: Potential meaningful.

Analysis

Current Law: Alcoholic beverages may not be shipped to non-licensed 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 in Maryland a felony. The law was enacted in part to combat the 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 are affected by the ban on residential deliveries because other states will not allow Maryland wine products to be shipped there if individual Marylanders cannot receive alcoholic beverages produced in other states. Wine industry groups have recommended that systems be developed to require proof of age at delivery.

State Revenues: The Comptroller would collect $100 annually for each PCI license issued and $11.42 in excise taxes for each application for a PCI license. It is assumed, however, that if Maryland citizens obtain PCI licenses and begin ordering wine to be delivered to their homes, retail distributors in Maryland will sell less wine. Therefore, most of the revenue collected from PCI licenses and excise taxes would probably be offset by less taxes being paid by retail alcoholic beverages licensees. The major impact of the bill, however, is expected to be through the annual $100 licensing fee collected by the Comptroller. General fund revenues would decrease due to lost retail sales and use taxes. However, any such decrease cannot be reliably estimated at this time. The number of licenses that would be issued is unknown.

If ordered by a court, the MVA must begin action to suspend the driver's license of an individual under the age of 21 who accepts delivery of wine. An individual's driver's license may or may not be suspended. Suspended drivers are given the right to an administrative hearing, each of which costs the MVA about $92. To the extent that the bill increases the number of suspended licenses, TTF expenditures could increase. Any increase is assumed to be minimal. MVA could handle the actual imposition of the additional suspensions with existing resources. Furthermore, if the bill results in a greater number of license suspensions, TTF revenues could increase. The MVA imposes a fee of $20 to reissue a license after an alcohol or drug-related suspension. Any increase is assumed to be minimal.

Small Business Effect: Small retail alcoholic beverage licensees in Maryland may be negatively impacted if Maryland citizens purchase PCI licenses and receive wine by delivery instead of in stores or establishments. Small business wineries 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 due to reciprocity agreements. Potentially, wineries could develop Internet web sites through which Marylanders and residents of other states could order their products.

Additional Information

Prior Introductions: None.

Cross File: SB 272 (Senators Harris and Roesser) – Economic and Environmental Affairs.

Information Source(s): Office of the Comptroller (Alcohol and Tobacco Tax Division), Judiciary (District Court of Maryland), Department of Transportation (Motor Vehicle Administration), Department of Legislative Services

Fiscal Note History: First Reader – March 1, 2001
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