

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

Senate Bill 271 (Senator Harris)
Economic and Environmental Affairs

Alcoholic Beverages - Direct Shipment Permit

This bill authorizes the Office of the Comptroller to issue a direct shipment permit to an alcoholic beverages manufacturer or wholesaler licensed by another state. Direct shipment permit holders are authorized to ship up to the equivalent of 24 750-milliliter containers of alcoholic beverages per month to a Maryland resident who is at least 21 years old for personal use. The holder of a permit must ensure that all excise taxes are paid for each direct shipment. The annual fee for the direct shipment permit is \$100.

Fiscal Summary

State Effect: General fund revenues would increase by \$100 for each direct shipment permit issued. General fund expenditures would increase for printing new applications, tax and audit forms, and general distribution of rules and regulations for the direct shipment permit. Any increase in general fund revenues that are collected for alcoholic beverages excise taxes from direct shipment holders is assumed to be offset by a decrease in alcoholic beverages excise taxes collected from Maryland retailers. General fund revenues would decrease due to lost retail sales and use taxes.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law: There is no direct shipment permit for alcoholic beverages in Maryland.

Background: Chapter 616 of 1999 made the act of delivering alcoholic beverages to a nonlicensed 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 directly 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. 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.

The equivalent of 24 750-milliliter containers of alcoholic beverages is 18 liters. The excise tax on beer is 2.3778 cents per liter, the tax on wine is 10.57 cents per liter, and the tax on distilled spirits is 39.63 cents per liter. Accordingly, the respective tax on 18 liters of each beverage is 43 cents for beer, \$1.90 for wine, and \$7.13 for distilled spirits. This is approximately 29 cents for a case of beer, \$1.27 for a case of wine, or \$4.76 for a case of distilled spirits.

State Fiscal Effect: The Office of the Comptroller would collect \$100 per direct shipment permit issued. It is unknown how many alcoholic beverages manufacturers and wholesalers licensed by another state would purchase a direct shipment permit. The direct shipment licensee is required to pay applicable excise taxes to the Comptroller on alcoholic beverages shipped to Maryland residents. Any increase in general fund revenues that are collected for alcoholic beverages excise taxes from direct shipment holders is assumed to be offset by a decrease in alcoholic beverages excise taxes collected from Maryland retailers. However, general fund revenues would decrease due to lost retail sales and use taxes. Any such decrease cannot be reliably estimated at this time.

Although direct shipment permit holders would be restricted to the equivalent of 24 750-milliliter containers of alcoholic beverages per Maryland resident over the age of 21 per month, there is no limit to the number of direct shipment permit holders that a Maryland resident over the age of 21 could purchase from. In addition, it is unknown how many Maryland residents over the age of 21 would purchase alcoholic beverages from direct shipment permit holders.

Small Business Effect: Small retail alcoholic beverage licensees in Maryland may be negatively impacted if Maryland residents over 21 years old purchase alcoholic

beverages from direct shipment permit holders 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 residents in other states that allow home delivery of alcoholic beverages due to reciprocity agreements.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Office of the Comptroller (Alcohol and Tobacco Tax Division),
Department of Legislative Services

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ncs/jr

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