

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 162 (Chair, Education, Health, and Environmental Affairs
 Committee)(By Request - Departmental - Comptroller)

Education, Health, and Environmental Affairs

Economic Matters

Alcoholic Beverages - Resident Dealer's Permit

This departmental bill establishes a resident dealer’s permit for alcoholic beverages and authorizes the Comptroller to issue the permit to persons who do not own a warehouse and who sell directly through a licensed Maryland wholesaler. Permit holders are subject to a \$200 annual fee. The bill also increases the annual fee, from \$100 to \$200, for the following permits issued by the Comptroller: public storage and transportation, nonresident dealer, and bulk transfer.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: General fund revenues may increase by \$142,200 annually beginning in FY 2010. Expenditures are not affected.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
GF Revenue	\$142,200	\$142,200	\$142,200	\$142,200	\$142,200
Expenditure	0	0	0	0	0
Net Effect	\$142,200	\$142,200	\$142,200	\$142,200	\$142,200

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: The Comptroller’s Office has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: The resident dealer's permit is generally subject to most of the same rules and regulations as the current nonresident dealer's permit. Unlike a nonresident dealer, the bill establishes a residency requirement of two years prior to filing an application for the permit.

Current Law: While the State does not issue a resident dealer's permit for alcoholic beverages, nonresidents who do not own a warehouse and sell directly through a licensed Maryland wholesaler are eligible for a nonresident dealer's permit. The annual fee for this permit is \$100.

Generally, a nonresident dealer's permit, for the purpose of selling beer, wine, or distilled spirits to a Maryland licensee may be issued only to (1) an authorized brewer, distiller, rectifier, bottler, manufacturer, vintner, winery, or an agent of each; (2) an authorized importer of beer, wine, or distilled beverages produced outside the United States who purchases directly from the brand owner or from an American sales agent of a each. A nonresident dealer's permit may not be issued to a person who (1) holds a wholesaler or retailer license of any class; or (2) has an interest in a wholesaler license or retailer license.

A holder of a nonresident dealer's permit is authorized to sell, consign, or deliver, from a location outside Maryland, to authorized persons in Maryland only those specified alcoholic beverages which it distills, rectifies, bottles, manufactures, produces, imports from outside the United States, or represents as the designated sales agent. The brewer, distiller, rectifier, bottler, manufacturer, vintner, winery, importer, and their designated agent are prohibited from directly or indirectly discriminating price between Maryland licensees.

A holder of a wholesaler license is a person who purchases or imports any alcoholic beverage for sale to wholesale or retail dealers only or a limited winery that sells wine to retail dealers. This includes county liquor control boards and county wholesale dispensaries.

Except under certain conditions, a wholesaler's license allows the holder to acquire the alcoholic beverages, as authorized by the type of license, from authorized licensees and holders of nonresident dealer's permits. The license authorizes the sale and delivery of those alcoholic beverages from the licensed premises to licensees and permit holders in Maryland and to persons outside of this State.

Background: The bill intends to provide an alcoholic beverage permit to Maryland residents who do not own a warehouse and who sell directly through a licensed Maryland wholesaler. Under current law, there is a nonresident dealer's permit for nonresidents who sell in the same manner. The rationale in creating the new permit is to provide Marylanders, who meet the residency requirement, the same type of permit as nonresidents.

In fiscal 2008, the Comptroller's Office issued 1,182 nonresident dealer's permits, and 142 of its various wholesalers' licenses.

State Fiscal Effect: Total general fund revenues increase by \$142,200 beginning in fiscal 2010 based on the new permit established by the bill and the fee increases for existing permits imposed by the bill, as shown in **Exhibit 1**.

Exhibit 1
Revenue Resulting from Permit Fee Increases

<u>Permit</u>	<u>Permits Issued</u>	<u>Increased Fee Amount</u>	<u>Revenue Increase</u>
Public Storage and Transportation	18	\$100	\$1,800
Nonresident Dealer	1,182	100	118,200
Bulk Transfer	264	100	26,400
Total	1,464		\$146,400
Resident Dealer Permit			(\$4,200)
Net General Fund Revenue			\$142,200

The Comptroller's Office estimates that four current holders of a class 5 wine wholesale license will switch to the new resident dealer's permit. The current fee for a class 5 wine license is \$1,250. As a result, general fund revenues will decrease by \$4,200 annually beginning in fiscal 2010. However, this revenue decrease may be offset to the extent that more persons apply for and receive the new resident dealer's permit. At this time, however, the number of new permits that may be issued cannot be reliably estimated.

The bill also increases permit fees by \$100 for public storage and transportation permits, nonresident dealer permits, and bulk transfer permits. The Comptroller's Office issued 1,464 of these permits in fiscal 2008. Based on a constant number of permits being issued each year, general fund revenues will increase by \$146,400 beginning in fiscal 2010, as shown in Exhibit 1.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - January 27, 2009
ncs/hlb Revised - Senate Third Reader - March 19, 2009

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Alcoholic Beverages – Resident Dealer’s Permit

BILL NUMBER: SB 162

PREPARED BY: Comptroller of Maryland

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 X WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

 WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.