SB 295

Department of Legislative Services

Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 295 (Senators Edwards and Colburn)
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, 2009.

Fiscal Summary

State Effect: General fund revenues decrease by approximately $105,200 annually beginning in FY 2010 due to the loss of alcoholic beverages tax and sales tax revenues generated from grain alcohol. General fund revenues increase minimally as a result of the bill's monetary penalty provision from cases heard in the District Court. The Judiciary can handle the additional requirements with existing budgeted resources.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
GF Revenue	($105,200)	($105,200)	($105,200)	($105,200)	($105,200)
Expenditure	0	0	0	0	0
Net Effect	($105,200)	($105,200)	($105,200)	($105,200)	($105,200)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Background: According the Comptroller's Office, the sale of alcoholic beverages containing 95% alcohol (190 proof) or more is illegal in eleven states; California, Florida, Hawaii, Maine, Minnesota, New York, Ohio, Pennsylvania, Virginia, Washington, and West Virginia. An alcoholic beverage containing 95% alcohol or more is often referred to as "grain alcohol."

State Fiscal Effect: Although the Comptroller's Office does not have exact data on the amount of grain alcohol that is sold in Maryland, it assumes that the sales are nominal. In fiscal 2008, 9.5 million gallons of distilled spirits were sold in Maryland. If grain alcohol represented .005% of the sales (47,500 gallons) and alcoholic beverage consumption remains consistent, tax revenues attributable to the sale of grain alcohol may decrease by approximately $337,700 beginning in fiscal 2010. This estimate is based on a tax rate of $2.85 per gallon, as distilled spirits are taxed at $1.50 per gallon with an additional 1.5 cents taxed for each 1 proof over 100, and the State sales tax rate of 6%.

It is assumed, however, that individuals who would have purchased grain alcohol will simply buy another form of alcohol instead. Therefore, the revenue loss associated with the prohibition on the retail sale of grain alcohol will be partly mitigated from tax revenues generated from the sale of other forms of alcoholic beverages. Assuming an 85% substitution effect, State revenues may decrease by approximately $105,200 annually, which includes a $74,800 decrease in alcoholic beverages taxes and a $30,400 decrease in State sales taxes.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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ncs/mwc

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