SB 905

Department of Legislative Services
2010 Session

FISCAL AND POLICY NOTE

Senate Bill 905 (Senator Edwards)
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, 2010.

Fiscal Summary

State Effect: General fund revenues decrease by approximately $125,000 annually beginning in FY 2011 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 2011	FY 2012	FY 2013	FY 2014	FY 2015
GF Revenue	($125,000)	($125,000)	($125,000)	($125,000)	($125,000)
Expenditure	0	0	0	0	0
Net Effect	($125,000)	($125,000)	($125,000)	($125,000)	($125,000)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Background: According to the Comptroller's Office, the sale of alcoholic beverages containing 95% alcohol (190 proof) or more is illegal in at least eleven states, including

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." Although the amount of alcohol in other beverages can vary by brand, most liquors contain 40-50% alcohol (80-100 proof).

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 2009, 10.1 million gallons of distilled spirits were sold in Maryland. If grain alcohol represented 0.5% of the sales (50,300 gallons) and alcoholic beverage consumption remains consistent, tax revenues attributable to the sale of grain alcohol may decrease by approximately $357,500 beginning in fiscal 2011. 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, total State revenues may decrease by approximately $125,000 annually, which accounts for the $60,600 in alcoholic beverages taxes and the $171,900 in State sales taxes that will be generated from consumers buying another form of alcohol.

Additional Information

Prior Introductions: SB 295 of 2009 passed the Senate, but received an unfavorable report from the House Economic Matters Committee.

Cross File: None.

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

Fiscal Note History: First Reader - March 3, 2010
ncs/hlb

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