

Department of Legislative Services  
Maryland General Assembly  
2015 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 1288  
Economic Matters

(Delegates Morhaim and Lam)

Education, Health, and Environmental Affairs

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**Alcoholic Beverages - Sale of Powdered Alcohol - Prohibition**

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This bill prohibits a person from selling or offering for sale alcoholic beverages that are sold in powder or crystalline form to be used directly or in combination with water or any other substance. A violator is guilty of a misdemeanor and on conviction is subject to a fine of up to \$1,000. Each violation is a separate offense.

The bill takes effect June 1, 2015, and terminates June 30, 2016.

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**Fiscal Summary**

**State Effect:** Prohibiting the sale of powder or crystalline alcohol does not materially affect State finances. It is assumed that the bill would apply in a limited number of cases, if any, since alcoholic beverage distributors in the State have already agreed to voluntarily ban the sale of powdered alcohol.

**Local Effect:** Prohibiting the sale of powder or crystalline alcohol does not materially affect local finances. It is assumed that the bill would apply in a limited number of cases, if any, since alcoholic beverage distributors in the State have already agreed to voluntarily ban the sale of powdered alcohol.

**Small Business Effect:** None. Alcoholic beverage distributors in the State have already agreed to voluntarily ban the sale of powdered alcohol. Thus, the bill does not change current practice.

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**Analysis**

**Current Law:** The State defines “alcoholic beverages” as alcohol, brandy, whiskey, rum, gin, cordial, beer, ale, porter, stout, wine, cider, and any other spirituous, vinous, malt, or

fermented liquor, liquid, or compound, which contains 0.5% or more of alcohol by volume, which is fit for beverage purposes. It does not include regulated confectionery food products that contain up to 5% of alcohol by volume.

The State prohibits a person from using, possessing, purchasing, transferring, or offering to sell or use an alcohol without liquid machine with the intent to introduce alcohol into the human body. A violator is guilty of a misdemeanor and subject to a fine of up to \$1,000; each violation is a separate offense.

**Background:** Palcohol is a prepackaged powder that can be dissolved in a liquid to produce an alcoholic beverage. The Alcohol and Tobacco Tax and Trade Bureau of the U.S. Department of the Treasury approved labels for Palcohol on March 10, 2015, making it legal for Palcohol to be sold in the United States. Additionally, the U.S. Food and Drug Administration has determined that the nonalcohol ingredients in Palcohol comply with agency regulations.

The company that produces Palcohol, Lipsmark, plans to start selling the product in the United States beginning in the summer of 2015 in five different versions: vodka, rum, cosmopolitans, margaritas, and lemon drops. The one ounce of powder, which is equivalent to one shot of alcohol, will come in a foil pouch that can be used as a cup. The company advertises that Palcohol, when used as directed, by adding six ounces of water or another mixer to it, is equivalent to a standard mixed drink.

The National Conference of State Legislatures reports that Alaska, Louisiana, South Carolina, Vermont, and Virginia prohibit the sale of powdered alcohol. Delaware and Michigan include powdered alcohol in their definitions of alcohol, so the product is regulated under existing alcohol statutes in those states. At least 28 states are currently considering legislation relating to powdered alcohol.

At the request of the Comptroller, the Maryland State Licensed Beverage Association, the Maryland Beer Wholesalers Association, and the Licensed Beverage Distributors of Maryland have agreed to a voluntary ban on the sale of powdered alcohol.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None designated; however, SB 937 (Senator Madaleno, *et al.* – Education, Health, and Environmental Affairs) is identical.

**Information Source(s):** Department of Health and Mental Hygiene, Comptroller's Office, Judiciary (Administrative Office of the Courts), National Conference of State Legislatures, *The Washington Post*, *The Baltimore Sun*, Palcohol, Department of Legislative Services

**Fiscal Note History:** First Reader - March 27, 2015  
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