

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 102

SPONSOR: Fiscal Resource Committee, Senators Latvala and Cowin

SUBJECT: Alcoholic Beverage Surcharge

DATE: April 14, 1999 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Keating</u>	<u>Wood</u>	<u>FR</u>	<u>Favorable/CS</u>
2.	_____	_____	<u>RI</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

The bill reduces by one-third, the surcharge on alcoholic beverages consumed on the premises of licensed retailer. The bill also maintains the current funding from the surcharge to the Children and Adolescents Substance Abuse Trust Fund.

This bill substantially amends, creates, or repeals the following sections of the Florida Statutes: 561.501 and 561.121

II. Present Situation:

Section 561.501, F.S., imposes an alcoholic beverage surcharge on all alcoholic beverages sold by the drink for consumption on a retailer's licensed premises. The surcharge is ten cents on each one ounce of liquor or four ounces of wine, six cents on each 12 ounces of cider and four cents on each 12 ounces of beer.

Retailers are required to remit the alcoholic beverage surcharge monthly and may pay the surcharge based on their actual on-premise sales during the previous month or up-front, based on the amount of alcoholic beverage purchases they made from licensed wholesalers. The Division of Alcoholic Beverages and Tobacco reports that approximately 87% of retailers utilize the purchase method to calculate the surcharge. The sales method of calculations and remittance involves a more cumbersome record keeping procedure which often results in retailer miscalculations. For FY 1997-1998, the retail surcharge generated \$107.7 million in tax revenues.

Retailers are allowed to retain 1% of the monthly surcharge owed to the state to cover their cost of maintaining appropriate records and remitting the tax in a timely manner.

Until recently, efforts to repeal the surcharge were unsuccessful due to the difficulty in reaching agreement on a suitable revenue replacement source. Legislation was enacted during the 1997

Session, ch. 97-213, L.O.F., which repeals the surcharge effective July 1, 1999, contingent upon collection of sufficient increased excise tax revenue. The surcharge will be repealed if 1998 calendar year excise tax collections are greater than \$535 million.¹ The repeal passed as part of a bill dealing with the unlawful direct shipping of alcoholic beverages. The nexus between the two issues is the belief that substantial tax dollars are lost due to unlawful direct shipping and that, if recouped, the increased excise & sales tax revenue might be sufficient to offset the surcharge repeal. Section 1 of ch. 97-213, L.O.F., required the Department of Business and Professional Regulation (DBPR) to report to the Legislature by March 1, 1999, the total amount of revenue collected pursuant to this law during calendar year 1998. The DBPR certified to the Legislature on February 19, 1999, that the amount of taxes due and paid during calendar year 1998 under ss. 563.05, 564.06, 565.12, and 561.54, F.S., was \$464,185,488.

Another effort at repeal resulted in legislation during the 1998 Session which tied repeal of the surcharge to employment of WAGES participants by the food and beverage industry. That legislation set forth a formula by which the economic benefit of a WAGES participant's employment could be calculated. This legislation passed but was subsequently vetoed by the Governor due to a concern that it did not set forth an adequate means of recouping the lost revenue.

Section 561.121, Florida Statutes, requires nine and eight-tenths of surcharge collections to be transferred to the Children and Adolescents Substance Abuse Trust Fund (CASA) for the purpose of funding programs directed at reducing and eliminating substance abuse problems among children and adolescents. In FY 1997-1998, \$9,981,783 was transferred from surcharge collections to the CASA TF.

Section 3 of Chapter 97-213, Laws of Florida, contains an amendment to s. 561.121, Florida Statutes, which specifies that in the event the surcharge is repealed, \$10 million annually will be transferred from excise tax collections to the CASA TF. (See Comments section for further discussion of this issue.)

III. Effect of Proposed Changes:

CS/SB 102 amends s. 561.501, F.S., reducing by one-third, the surcharge on alcoholic beverages consumed on-the-premises of a licensed retailer.

The bill also amends s. 561.121, F.S., increasing from nine and eight-tenths to thirteen and six-tenths, the percentage of the surcharge which is deposited into the Children and Adolescents Substance Abuse Trust Fund, in order to maintain their current funding.

¹ The Consensus Revenue Estimating Conference estimated that under current practices the excise tax on alcoholic beverages would generate \$460.9 m during calendar year 1998. Further, the Conference estimated that the alcoholic beverage surcharge would generate approximately \$109.5 m for that same period. Sales tax collections on those surcharge sales were estimated to be an additional \$5.9 m. In order to offset the repeal of the surcharge, the Conference estimated that \$74.1 m in additional excise tax revenue must be collected in calendar year 1998, as well as \$41.3 m in sales tax revenue. Therefore, if the amount of excise tax collections in calendar year 1998 reaches or exceeds \$535 m, the alcoholic beverage surcharge can be repealed without adversely impacting state revenues.

The bill will take effect September 1, 1999.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

The one-third reduction in the alcoholic beverage surcharge effective September 1, 1999, is estimated to reduce General Revenue in fiscal year 1999-00 by \$27.7 million and on a recurring basis by \$33.7 million.

Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year \$	Recurring \$	1st Year \$	Recurring \$	1st Year \$	Recurring \$	1st Year \$	Recurring \$
Reduction/Repeal of Alcoh. Bev. Surcharge	(27.7)	(33.7)	(2.8)	(3.4)	0.0	0.0	(30.5)	(37.1)

* Insignificant
 ** Indeterminate

B. Private Sector Impact:

Affected alcoholic beverage licensees will incur costs associated with reprogramming their electronic cash registers and other record keeping functions as a result of the one-year surcharge reduction.

C. Government Sector Impact:

The Division of Alcoholic Beverages and Tobacco will incur the cost of informing licensees of the change in the tax rate and the necessary costs accompanying that change.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
