

STORAGE NAME: h1165.rs

DATE: March 6, 2000

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
REGULATED SERVICES
ANALYSIS**

BILL #: HB 1165

RELATING TO: Alcoholic Beverages; surcharge exemption for nonprofit and veterans' organizations

SPONSOR(S): Representative Minton

TIED BILL(S): none

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) REGULATED SERVICES
 - (2) FINANCE & TAXATION
 - (3) GENERAL GOVERNMENT APPROPRIATIONS
 - (4)
 - (5)
-

I. SUMMARY:

An alcoholic beverage surcharge is imposed on all alcoholic beverages sold by the drink for consumption on a retailer's licensed premises. This bill exempts certain nonprofit and veterans organizations from paying the alcoholic beverage surcharge.

The bill is estimated to reduce revenue collections by approximately \$3 million for FY 2000-2001 and \$3.3 million annually thereafter.

The act will take effect July 1, 2000.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

An alcoholic beverage surcharge is imposed on all alcoholic beverages sold by the drink for consumption on a retailer's licensed premises [s. 561.501, F.S.]. The surcharge is 6.67 cents on each ounce of liquor and each 4 ounces of wine, 4 cents on each 12 ounces of cider and 2.67 cents on each 12 ounces of beer. The surcharge was previously reduced by one-third to the existing rates on September 1, 1999.

Retailers are required to remit the alcoholic beverage surcharge monthly and may pay the surcharge based on their actual on-premises sales during the previous month or up-front, based on the amount of alcoholic beverage purchases they made from licensed wholesalers. In 1999, the Division of Alcoholic Beverages and Tobacco [DABT] reported that over 85% of licensed 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. 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.

For FY 1998-1999, the surcharge generated approximately \$110.4 million. The surcharge is expected to generate \$83.5 million in FY 1999-2000.

Section 561.121, Florida Statutes, requires that 13.6% of surcharge collections be transferred to the Children and Adolescents Substance Abuse Trust Fund [CASA TF] to fund programs directed at reducing and eliminating substance abuse problems among children and adolescents. In order to hold harmless the CASA TF, the contribution rate was increased to this rate when the surcharge rates were reduced. The surcharge generated over \$10 million to the CASA TF for FY 1998-99.

Section 565.01(4), Florida Statutes, authorizes the issuance of an alcoholic beverage license to persons associated together as a chartered or incorporated club, including any social club incorporated by order of a circuit judge under specified conditions.

Section 561.422, Florida Statutes, authorizes the issuance of temporary 3-day permits which allow nonprofit civic organizations to sell alcoholic beverages. Only three such temporary permits may be issued to each organization per calendar year.

C. EFFECT OF PROPOSED CHANGES:

This bill exempts clubs licensed under s. 565.02(4), Florida Statutes, and nonprofit civic organizations with temporary 3-day permits issued under s. 561.422, Florida Statutes, from paying the alcoholic beverage surcharge, if the organization is currently exempt from federal income tax under s. 501(c)(3) or (19) of the Internal Revenue Code.

Section 501(c)(3) of the Internal Revenue Code exempts religious, charitable, scientific, public safety testing, literary or educational organizations, as well as those fostering national or international amateur sports competition and those established to prevent cruelty to children or animals. Section 501(c)(19) of the Code exempts veterans' posts or organizations as well as their auxiliary units.

The alcoholic beverage surcharge exemption for these nonprofit organizations is estimated to reduce General Revenue in FY 2000-2001 by \$2.6 million, with a recurring General Revenue loss of \$2.9 million and an additional \$0.4m loss of revenue to the CASA TF.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends subsection (1) of s. 561.501, Florida Statutes, to exempt certain clubs, and nonprofit civic and veterans organizations from paying the alcoholic beverage surcharge.

Section 2. Provides that the act will take effect July 1, 2000.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

	<u>2000-01</u>	<u>Recurring</u>
General Revenue Trust Fund	(\$2.6m)	(\$2.9m)
Children and Adolescents Substance Abuse Trust Fund	<u>(\$0.4m)</u>	<u>(\$0.4m)</u>
Total	\$3.0m	\$3.3m

2. Expenditures:

The Department of Business Regulation, Division of Alcoholic Beverages will incur costs associated with notification of this exemption to qualified licensees.

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B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Qualified clubs and organizations, who often rely on volunteer bookkeepers, will benefit by this exemption to the extent they will no longer be required to maintain the necessary records to verify surcharge sales nor will they be required to pay the surcharge in the future.

D. FISCAL COMMENTS:

N/A

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take any action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

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C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON REGULATED SERVICES:

Prepared by:

Staff Director:

Janet Clark Morris

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