STORAGE NAME: h0695s1.ft
DATE: April 17, 2000

HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
FINANCE AND TAXATION
ANALYSIS

BILL #: CS/HB’s 695 & 1165

RELATING TO: Alcoholic Beverage Surcharge

SPONSOR(S): Committee on Regulated Services, Representatives Bitner, Minton, Russell, Morroni and Others

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) REGULATED SERVICES YEAS 7 NAYS 0
(2) FINANCE AND TAXATION
(3) GENERAL APPROPRIATIONS
(4)
(5)

I. SUMMARY:

A surcharge is presently assessed on all alcoholic beverages sold by the drink for consumption on a retailer’s licensed premises. The surcharge is 6.67 cents on each ounce of liquor and on each four ounces of wine, four cents on each 12 ounces of cider, and 2.67 cents on each 12 ounces of beer. This bill reduces the surcharge on alcoholic beverages sold for consumption on a retailer’s licensed premises by one-half. This bill also exempts qualifying nonprofit and veterans organizations [s. 501(c)(3)-(8) and (19) of the Internal Revenue Code] from paying the alcoholic beverage surcharge.

The bill will have a negative fiscal impact on tax revenues of $33.3 million in FY 2000-01 and a recurring loss of $40.1 million in FY 2001-02

The bill provides an effective date of September 1, 2000.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

1.	Less Government	Yes []	No []	N/A [X]
2.	Lower Taxes	Yes [X]	No []	N/A []
3.	Individual Freedom	Yes []	No []	N/A [X]
4.	Personal Responsibility	Yes []	No []	N/A [X]
5.	Family Empowerment	Yes []	No []	N/A [X]

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 on each four ounces of wine, four 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 percent 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 one percent of the monthly surcharge owed to the state to cover their cost of maintaining appropriate records and remitting the tax in a timely manner. Current staffing levels at the DABT allow the nearly 21,000 licensees to be audited once every three to five years.

Section 561.121, Florida Statutes, requires 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 is expected to generate $10,295,250 for the CASA TF for FY 1999-2000.

At its present rate, the surcharge is expected to generate approximately $83,475,000 for FY 1999-2000.

C. EFFECT OF PROPOSED CHANGES:

The bill reduces the surcharge on alcoholic beverages sold for consumption on a retailer's licensed premises by one-half. The surcharge is reduced from 6.67 cents to 3.33 cents on each ounce of liquor and on each four ounces of wine; from four cents to two cents on each 12 ounces of cider; and from 2.67 cents to 1.33 cents on each 12 ounces of beer.

The bill also 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), (4), (5), (6), (7), (8) or (19) of the Internal Revenue Code of 1986.

- 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)(4) exempts civic leagues, social welfare and local associations of employees;
- section 501(c)(5) exempts labor, agricultural and horticultural associations;
- section 501(c)(6) exempts business leagues, chambers of commerce and real estate boards;
- section 501(c)(7) exempts social and recreational clubs;
- section 501(c)(8) exempts fraternal beneficiary societies and associations; and
- section 501(c)(19) of the Code exempts veterans' posts or organizations as well as their auxiliary units.

To prevent the CASA TF from being adversely affected by the surcharge contribution, the rate of contribution to that fund is increased from 13.6 percent to 27.2 percent of surcharge collections.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends s. 561.501(1), F. S., to reduce the surcharge rates from 6.67 cents to 3.33 cents per each ounce of liquor and each four ounces of wine; from four cents to two cents on each 12 ounces of cider; and, from 2.67 cents to 1.33 cents on each 12 ounces of beer and also exempts certain clubs, and nonprofit civic and veterans organizations from paying the alcoholic beverage surcharge completely.

Section 2. Amends s. 561.121(4)(a), F. S., to increase the surcharge contribution to the Children and Adolescents Substance Abuse Trust Fund from 13.6% to 27.2%.

Section 3. Provides an effective date of September 1, 2000.

III. <u>FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT</u>:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

	FY 2000-01	FY 2001-02
General Revenue Fund		
½ Reduction in tax rate	($30.3 m)	($37.8m)
Non-profit exemptions	($ 1.7 m)	($ 1.3m)
Total	**($32.0 m)**	**($39.1)**
CASA Trust Fund		
½ Reduction in tax rate	($ 0.9m)	($ 0.6m)
Non-profit exemptions	($ 0.4m)	($ 0.4m)
Total	**($ 1.3 m)**	**($ 1.0 m)**

2. Expenditures:

The Department of Business and Professional Regulation will incur expenses associated with the modification of its audit functions and the notification of licensees of the changes proposed in this legislation.

In addition, the Department of Business and Professional Regulation reports that the September 1, 2000, inventory held by all licensees must be adjusted to reflect the new surcharge rates. Since the majority of licensees prepay the surcharge on their inventory, the reduction in the surcharge rates for any prepaid surcharge will have to be shown as a credit or refunded to the licensee. The Department estimates this inventory credit/refund to be approximately $2 million.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Affected alcoholic beverage licensees will incur costs associated with reprogramming of their electronic cash registers and other record keeping functions to conform with the reduced tax rates.

Rather than reducing drink prices, retailers and qualifying non-profit clubs and organizations may opt to invest the revenue, which would otherwise have been paid as surcharge, back into their businesses, organizations, or charitable endeavors.

To the extent drink prices are reduced as a result of the reduced tax per drink, consumers will benefit by the reduced prices.

D. FISCAL COMMENTS:

None.

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:

None.

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The Committee on Regulated Services combined the provisions of this bill with HB 1165 and passed the bill as a combined committee substitute. As originally introduced, HB 695 reduced the surcharge by one-half, increased the contribution to the CASA TF and repealed the surcharge completely effective September 1, 2001. As introduced, HB 1165 exempted qualifying non-profit organizations [s. 501(c)(3) and (19) of the Internal Revenue Code] from paying the surcharge at all.

The committee substitute reduces the surcharge by one-half, exempts qualifying non-profit organizations [s. 501(c)(3)-(8) and (19) of the Internal Revenue Code] from paying the surcharge, increases the contribution to the CASA TF and removes the prospective repeal date.

VII. SIGNATURES:

COMMITTEE ON REGULATED SERVICES:

Prepared by:	Staff Director:
Janet Clark Morris	Paul Liepshutz

AS REVISED BY THE COMMITTEE ON Finance and Taxation:

Prepared by:	Staff Director:
Carol Dickson-Carr	Alan Johansen