

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

Prepared By: Regulated Industries Committee

BILL: CS/SB 794

SPONSOR: Regulated Industries Committee and Senator Haridopolos

SUBJECT: Alcoholic Beverages

DATE: March 18, 2005

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Oxamendi</u>	<u>Imhof</u>	<u>RI</u>	<u>Fav/CS</u>
2.	_____	_____	<u>HE</u>	_____
3.	_____	_____	<u>CJ</u>	_____
4.	_____	_____	<u>JA</u>	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

The committee substitute (CS) prohibits the purchase, sale, offering for sale, or use of alcohol-vaporizing devices that mix alcoholic beverages with pure oxygen or other gas to produce a vaporized product for consumption by inhalation.

The CS provides that selling or offering for sale an alcohol-vaporizing device constitutes a first degree misdemeanor. A violation within five years of a previous conviction would be a third degree felony. Purchasing or using an alcohol-vaporizing device would result in a \$250.00 fine.

The CS permits licensees to conduct malt beverage tasting within the interior structures of licensed premises if the tastings are limited to and directed towards the general public. Vendors selling beer, malt beverages, wines, and fortified wines for off premises consumption and operating a place of business with less than 5000 square feet of floor space would not be able to conduct these tastings.

This bill creates sections 562.61 and 563.09, Florida Statutes.

II. Present Situation:

The Division of Alcoholic Beverages and Tobacco (division) of the Department of Business and Professional Regulation (department) is the agency authorized to enforce the provisions of the Beverage Law in chs. 561, 562, 563, 564, 565, 567, and 568, F.S. Chapter 563, F.S., relates to malt beverages. Section 563.01, F.S., defines the terms "beer" and "malt beverage" to mean all brewed beverages containing malt.

It is unlawful to sell alcoholic beverages without a license issued by the division, or to sell alcoholic beverages in a manner not permitted under the Beverage Law or the license held.¹

Section 561.01(4)(a), F.S., defines the term "alcoholic beverages" to mean "distilled spirits and all beverages containing one-half of 1 percent or more alcohol by volume."

Section 565.01 defines the terms "liquor," "distilled spirits," "spirituous liquors," "spirituous beverages," or "distilled spirituous liquors" to mean "that substance known as ethyl alcohol, ethanol, or spirits of wine in any form, including all dilutions and mixtures thereof from whatever source or by whatever process produced."

Alcohol-vaporizing Devices - The alcohol-vaporizing devices mix alcoholic beverages with oxygen to create a mixture that can be inhaled. According to recent media reports, vaporized alcoholic beverages have a greater intoxicating effect because the alcohol is directly absorbed into the blood stream and bypasses the stomach and liver. According to medical and scientific experts interviewed by the press, alcohol-vaporizing devices may cause brain or lung damage because the alcohol goes directly to the brain or lungs without being filtered by the liver, and the effect on the brain or lungs could be many times greater than if the alcoholic beverage had been drunk.²

Recent media reports, have noted the increased popularity of such devices and their ready availability to the public in alcoholic beverage licensed premises and for personal use. The devices are available for purchase over the Internet. Alcohol-vaporizing devices are available for purchase on the Internet auction site Ebay, where the devices may be purchased directly without bidding for \$299.00.³

Scope of Licensure – The Beverage Law provides a three-tier system of alcoholic beverage regulation composed of manufacturers, distributors, and vendors. Manufacturers may only distribute and sell their products to distributors.⁴ Distributors sell and distribute alcoholic beverages to vendors.⁵ Vendors may only sell alcoholic beverages at retail.⁶ Manufacturers and distributors cannot be licensed as vendors, and vendors cannot be licensed as manufacturers or distributors.⁷ Section 561.221, F.S., provides an exception to vendors engaged in brewing malt beverages at a single location and in an amount which will not exceed 10,000 kegs (at 15.5 gallons per keg) per year.

Section 561.221(2), F.S., provides that:

¹ See ch. 562.12, F.S.

² See Joel Currier, "States take sober view of alcohol vapor devices," *St. Louis Post-Dispatch*, February 21, 2005, page A01; and Carol Emert, "New inhaler sends the booze straight to the brain," *San Francisco Chronicle*, September 30, 2004, page F5.

³ See www.ebay.com and search for "alcohol vaporizer." Internet cited last visited and searched on March 18, 2005.

⁴ See s. 561.14(1), F.S.

⁵ See s. 561.14(2), F.S.

⁶ See s. 561.14(3), F.S.

⁷ See s. 561.22, F.S.

[t]he division is authorized to issue vendor's licenses to a manufacturer of malt beverages, even if such manufacturer is also licensed as a distributor, for the sale of alcoholic beverages on property consisting of a single complex, which property shall include a brewery and such other structures which promote the brewery and the tourist industry of the state. However, such property may be divided by no more than one public street or highway.

Tied House Evil - Section 561.42(1), F.S., prohibits a licensed manufacturer or distributor from assisting any vendor by any gifts or loans of money or property of any description or by the giving of any rebates of any kind whatsoever. Specifically, s. 561.42(1), F.S., provides:

No licensed manufacturer or distributor of any of the beverages herein referred to shall have any financial interest, directly or indirectly, in the establishment or business of any vendor licensed under the Beverage Law; nor shall such licensed manufacturer or distributor assist any vendor by any gifts or loans of money or property of any description or by the giving of any rebates of any kind whatsoever. No licensed vendor shall accept, directly or indirectly, any gift or loan of money or property of any description or any rebates from any such licensed manufacturer or distributor; provided, however, that this does not apply to any bottles, barrels, or other containers necessary for the legitimate transportation of such beverages or to advertising materials and does not apply to the extension of credit, for liquors sold, made strictly in compliance with the provisions of this section. (Emphasis supplied.)

Section 561.42(12)(f), F.S., prohibits manufacturers or distributors of beer from conducting any sampling activities that include tasting of their product at a vendor's premises licensed for off-premises sales only. Section 561.42(12)(g), F.S., also prohibits manufacturers and distributors of beer to engage in cooperative advertising with vendors.

Alcoholic Beverages Tastings – Current law does not prohibit vendors from conducting beverage tastings on their licensed premises, provided that the tastings are not conducted with the assistance of manufacturers or distributors or otherwise violate s. 561.42, F.S. Current law provides exceptions for wine and spirituous beverages that permit distributors to conduct tastings at a vendor's licensed premises.

Section 564.08, F.S., authorizes licensed wine distributors and vendors to conduct wine tastings at any licensed premises authorized to sell wine or spirituous beverages by package or for consumption on premises without being in violation of s. 561.42, F.S. The wine tasting must be limited to and directed toward the general public of the age of legal consumption.

Section 565.17, F.S., provides that licensed distributors of spirituous beverages and vendors are authorized to conduct spirituous beverage tastings in any licensed premises authorized to sell spirituous beverages by package or for consumption on premises without being in violation of s. 561.42, F.S. The spirituous beverage tasting must be limited to, and directed toward, the general public of the age of legal consumption.

Neither of these exceptions allow manufacturers to conduct wine or spirituous beverage tastings.

III. Effect of Proposed Changes:

Section 1 creates s. 562.61, F.S., to prohibit the purchase, sale, offering for sale, or use of an alcohol-vaporizing device. The bill defines an alcohol-vaporizing device as any device, machine, or process that mixes spirits, liquor, or other alcohol products with pure oxygen or other gas to produce a vaporized product for consumption by inhalation.

The bill provides that selling or offering for sale an alcohol-vaporizing device constitutes a first degree misdemeanor. A violation within five years of a previous conviction would be a third degree felony punishable as provided in s. 775.082 or s. 775.083, F.S. Purchasing or using an alcohol-vaporizing device would result in a \$250.00 fine.

Section 2 creates s. 563.09, F.S., to permit licensees to conduct malt beverage tasting within the interior structures of licensed premises if the tastings are limited to and directed towards the general public. The bill provides that this section does not apply to a licensee subject to the license tax under ss. 563.02(1)(a) or 564.02(1)(a), F.S., operating a place of business with less than 5000 square feet of floor space.⁸

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:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

None.

⁸ Section 563.02(1)(a) or 564.02(1)(a), F.S., provide the applicable amount of the license fee for licensees authorized to sell malt beverages and wine, respectively, for consumption off the licensed premises.

VI. Technical Deficiencies:

The effect of the malt beverage tastings provision is not clear. The bill authorizes licensees to conduct malt beverage tastings. The Beverage Law does not define the term “licensee,” but the term could be construed to include manufacturers, distributors, and vendors. If the term is intended to include manufacturers and distributors, malt beverage tastings conducted by manufacturers and distributors on the licensed premises of vendors would contradict the specific prohibition in s. 561.42(12)(f), F.S. If this is the intent of the bill, s. 561.42(12)(f), F.S., should be repealed to remove the contradictory provision. If the term includes manufacturers and distributors, manufacturers and distributors would also be permitted to conduct malt beverage tastings on their licensed premises.

VII. Related Issues:

None.

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

VIII. Summary of Amendments:

None.

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