GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Fiscal Note

BILL NUMBER: House Bill 392 (Third Edition)

SHORT TITLE: Amend Definition of Malt Beverage in ABC Law.

SPONSOR(S): Representatives Earle, Holliman, Daughtridge, and LaRoque

FISCAL IMPACT					
	Yes ()	No (X)	No Estimate Available ()		
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
REVENUES: General Fund	*See Assumptions and Methodology*				
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Department of Revenue					
EFFECTIVE DATE: Becomes effective when law.					

BILL SUMMARY: HB 392 amends the definition of malt beverage to include beverages containing no more than 15% alcohol by volume. The 3^{rd} edition of the bill requires any malt beverage containing more than 6% alcohol by volume to bear a label indicating the alcohol content of the beverage.

ASSUMPTIONS AND METHODOLOGY: Under current law, excise taxes are levied on beer, wine and spirituous liquor as established in G.S. 105-113.80. The following excise rates are currently imposed: 1) unfortified wine is taxed at a rate of 21 cents per liter; 2) fortified wine is taxed at 24 cents per liter; 3) spirituous liquor is taxed at 25% of the retail price; and 4) malt beverages are taxed at a rate of 53.177 cents per gallon.

The current definition of malt beverage is established in G.S. 18B-101 and does not include beverages with alcohol content greater than 6%. By increasing the cap on alcohol content to 15%, HB 392 would allow the sale of a variety of additional malt beverages in North Carolina. Many of these would be "craft" or "niche" beers that make up approximately 3% of the national market share. Additionally, some malt liquor beverages and flavored malt beverages with alcohol content greater than 6% would be allowed to enter the market.

Because of the low market share and the likelihood that consumption of high alcohol content malt beverages would primarily supplant existing consumption of malt beverages, this bill is not expected to result in any significant fiscal impact. In addition, the NC Alcoholic Beverage Control Commission estimates no fiscal impact related to the bill.

SOURCES OF DATA: NC ABC Commission, NC Department of Revenue, Brewers Association

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Rodney Bizzell and Susan Morgan

APPROVED BY: James D. Johnson, Director Fiscal Research Division

Official **Fiscal Research Division** Publication

DATE: July 12, 2005

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