

Department of Legislative Services

Maryland General Assembly

2016 Session

FISCAL AND POLICY NOTE

First Reader

House Bill 648

(Delegate Moon, *et al.*)

Ways and Means

Alcoholic Beverage Taxes - Electronic Filing of Returns

This bill requires the Comptroller to develop and implement procedures for the electronic filing of specified alcoholic beverage tax returns by January 1, 2017.

Fiscal Summary

State Effect: General fund expenditures increase by approximately \$1.4 million in FY 2017 for computer hardware and software upgrades needed for the implementation of electronic filing of specified alcoholic beverage tax returns. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Each manufacturer and wholesaler of alcoholic beverages must complete, under oath, and file an alcoholic beverage tax return with the Comptroller on or before the tenth day of the month that follows the month in which (1) the manufacturer or wholesaler sells or delivers any alcoholic beverage in the State; (2) a manufacturer that brews malt beverages, under a Class 6 pub-brewery license, transfers the malt beverages for consumption on the restaurant premises in accordance with federal alcohol tax laws and regulations; or (3) a manufacturer that brews malt beverages, under a Class 7 micro-brewery license, transfers the malt beverages for consumption off the micro-brewery licensed premises in accordance with federal alcohol tax laws and regulations.

Alcoholic beverage tax returns must also be filed, if the Comptroller so specifies by regulation, on other dates for each month in which the manufacturer or wholesaler does not sell, deliver, or transfer any alcoholic beverage in the State.

Background: Alcoholic beverage excise tax revenue is estimated to total \$31.5 million in fiscal 2016 and \$31.8 million in fiscal 2017.

State Fiscal Effect: The Comptroller's Office reports that general fund expenditures would increase by approximately \$1.4 million in fiscal 2017 to develop and implement procedures for the electronic filing of specified alcoholic beverage tax returns by January 1, 2017. The estimate assumes that approximately 8,300 hours of labor will be needed to implement the necessary computer hardware and software upgrades to the current tax return processing system. Due to the technical aspects of the project, the Comptroller's Office advises that it will likely need to contract the work to an outside vendor through a request for proposals. Due to the time involved in the procurement process, as well as the time needed to perform the various computer hardware and software upgrades, the Comptroller's Office indicates that it would be unlikely to have an electronic filing system in place by January 1, 2017.

The fiscal 2015 *Alcohol and Tobacco Tax Annual Report* indicates that there are 230 manufacturer's licensees, 249 wholesaler's licensees, 2 railroad licenses, 47 steamboat licensees, 10 airplane licensees, and 75 statewide caterer's licensees. The Comptroller's Office also issued 53,373 alcoholic beverages permits in fiscal 2015. At the county level, in fiscal 2015 there were 7,212 retail alcoholic beverages licenses issued, including 132 Class A, B, C, D beer licenses; 1,297 Class A, B, C, D beer and wine licenses; 37 Class C wine licenses; and 5,254 Class A, B, C, D beer, wine, and liquor licenses.

Additional Information

Prior Introductions: None.

Cross File: SB 757 (Senator Madaleno) - Budget and Taxation.

Information Source(s): Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - February 23, 2016
kb/jrb

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510