



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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*This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.*

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<b>Bill Number:</b>	S. 0479	Introduced on January 21, 2021
<b>Author:</b>	Bennett	
<b>Subject:</b>	Micro-Distillery Food Establishments	
<b>Requestor:</b>	Senate Judiciary	
<b>RFA Analyst(s):</b>	Payne	
<b>Impact Date:</b>	April 12, 2021	

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### **Fiscal Impact Summary**

This bill may increase alcohol tax revenue for the General Fund by an undetermined amount, as it is anticipated the provisions of this bill may increase alcohol sales and corresponding tax revenues by permitting micro-distilleries to open an on-premise food establishment and sell larger quantities to customers at retail and for tastings on-site. In 2019, licensed micro-distilleries paid \$146,139 in wholesale liquor taxes for on-premises retail sales and product tastings.

This bill will not impact the expenditures of the Department of Revenue (DOR), as they will be able to perform the duties required using existing personnel and appropriations.

### **Explanation of Fiscal Impact**

#### **Introduced on January 21, 2021**

##### **State Expenditure**

Section 1 of this bill permits micro-distilleries to operate a food establishment on their premises and requires the food establishment must be physically separated from the area in which liquor is manufactured. This section permits the retail sale of products manufactured on premises and permits the food establishment to sell liquor by the drink, beer, and wine on-premise pursuant to the licensing requirements required for any other food establishment. Product tastings may occur in the food establishment area.

Section 2 of the bill permits micro-distilleries to offer for tasting up to four and a half ounces of product manufactured on-premise per day to a customer. Additionally, this section permits the retail sale of up to nine liters of alcoholic liquor per day to a customer.

Currently, micro-distilleries are permitted to offer product tastings and retail sales in conjunction with on-site tours but may not offer tastings in conjunction with the service of food in a restaurant setting. Micro-distilleries may offer tastings of up to three ounces of product a day to a single customer and may sell up to an equivalent of three 750-milliliter bottles of product at retail per day to a single customer. Micro-distilleries may charge customers for product tastings and must collect and remit the applicable liquor by the drink excise tax.

**Department of Revenue.** The Department of Revenue is responsible for administering and enforcing alcohol licensing and taxation. DOR anticipates the provisions of this bill will not impact the expenditures of the department, as they will be able to perform the duties required using existing personnel and appropriations.

### **State Revenue**

Section 2 of the bill permits micro-distilleries to offer for tasting up to four and a half ounces of product manufactured on-premise per day to a customer. Additionally, this section permits the retail sale of up to nine liters of alcoholic liquor per day to a customer. Currently, micro-distilleries may offer tastings of up to three ounces of product a day to a single customer and may sell up to an equivalent of three 750-milliliter bottles of product at retail per day to a single customer.

There are currently thirty-one licensed micro-breweries operating in the state. According to DOR, micro-distilleries paid \$146,139 in wholesale liquor taxes in 2019. These wholesale tax payments represent the distilleries' tasting and retail sales activities currently permitted by law. It is anticipated that the provisions of this bill may increase these sales and tasting activities, which would result in an increase in alcohol tax revenue to the General Fund, since the limits on how much a customer may consume in one day are increased. Additionally, the provisions of the bill permit micro-distilleries to open one food establishment at their licensed premises and these establishments may sell alcoholic drinks pursuant to applicable alcohol licensing requirements for restaurants. Therefore, it is anticipated this bill may increase alcohol tax revenue for the General Fund by an undetermined amount, as it is anticipated the provisions of this bill may increase alcohol sales and corresponding tax revenues by permitting micro-distilleries to open a food establishment and sell larger quantities to customers at retail and for tastings.

### **Local Expenditure**

N/A

### **Local Revenue**

N/A



Frank A. Rainwater, Executive Director