

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 754
SHORT TITLE: Illicit Liquor Tax
SPONSOR(S): Representative Dickson

FISCAL IMPACT

Yes (X) No () No Estimate Available ()

FY 1997-98 FY 1998-99 FY 1999-00 FY 2000-01 FY 2001-02

REVENUES \$300,000 to \$500,000 gain in beverage tax revenue

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue
Department of Crime Control and Public Safety

EFFECTIVE DATE: October 1, 1997

BILL SUMMARY:

The proposed act adds illegal spirituous liquor, mash, and illegally mixed beverages to the list of controlled substances subject to excise taxes under the Unauthorized Substance Taxes; Article 2D of General Statutes Chapter 105.

The excise tax on a dealer possessing illegal spirituous liquor for sale by the drink is set at \$31.70 per gallon. If the controlled substance is not sold by the drink the tax is \$12.80 per gallon. The excise tax on mash is \$1.28 per gallon. Liquor purchased legally but sold by the drink illegally is taxed the same as beverages sold by the drink legally. The mixed beverage surcharge is \$20.00 on a four liter bottle and a proportional sum on lesser quantities.

The revenue is to be distributed by the Secretary of Revenue in the following manner: seventy five percent goes to the law enforcement agency that conducted the investigation and the remaining twenty five percent goes to the State General Fund.

ASSUMPTIONS AND METHODOLOGY:

The tax rate on a gallon of illegally distilled liquor is based on the fractional portion of the charges authorized under G.S. 18B-804 on a U.S. gallon of liquor. The tax rate on illegally mixed beverages is the fractional portion of the mixed beverage surcharge, authorized under G. S. 18B-804(8), on a U.S. gallon of liquor. The per gallon tax rate on mash is based on the assumption that 100 gallons of mash will produce 10 gallons of liquor. This ratio is used by the Alcohol Law Enforcement Division to measure the capacity of a confiscated distillery.

The Department of Crime Control and Public Safety provided the amounts of illegally distilled liquor, mash, and liquor sold by the drink illegally that was confiscated in fiscal year 1995-96. The tax loss is calculated by applying the appropriate tax rate set-out in the bill to the gallons of illegal substance.

The amount of liquor confiscated from places selling liquor by the drink illegally was 9,115 gallons and the loss in mixed beverage tax revenue is \$172,182. The loss in tax revenue from the 7,116 gallons of illegally distilled liquor confiscated is \$91,085. Alcohol and law enforcement officers confiscated 57,760 gallons of mash and the revenue loss associated with this amount is \$73,933. The total loss in excise tax revenue for fiscal year 1996-97 was \$337,200.

Confiscation's of illegal liquor substances increased 108% in fiscal year 1995-96 over the year before and the Department reports an expected increase in this fiscal year over fiscal year 1995-96. They could not elaborate on a percentage increase because most of their investigations are continuing and they will not know the gallon amounts of substance confiscated until actions have been taken.

FISCAL RESEARCH DIVISION

733-4910

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DATE: April 30, 1997



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