



**Colorado  
Legislative  
Council  
Staff**

**SB16-143**

**FINAL  
FISCAL NOTE**

**FISCAL IMPACT:**  State  Local  Statutory Public Entity  Conditional  No Fiscal Impact

**Drafting Number:** LLS 16-1053  
**Prime Sponsor(s):** Sen. Hill  
Rep. Pabon

**Date:** August 3, 2016  
**Bill Status:** Signed into Law  
**Fiscal Analyst:** Anna Gerstle (303-866-4375)

**BILL TOPIC:** REDUCE DISTILLER WHOLESALER LIQUOR LICENSING FEES

| Fiscal Impact Summary                                 | FY 2016-2017       | FY 2017-2018       |
|---|--------------------|--------------------|
| <b>State Revenue</b>                                  | <b>(\$55,750)</b>  | <b>(\$156,250)</b> |
| General Fund  | (55,750)           | (156,250)          |
| <b>State Expenditures</b>                             | Workload increase. |                    |
| <b>TABOR Impact</b>                                   |                    | (\$156,250)        |
| <b>Appropriation Required:</b> None.                  |                    |                    |
| <b>Future Year Impacts:</b> Ongoing revenue decrease. |                    |                    |

**Summary of Legislation**

Under current law, the annual license fee for a distillery or rectifier (spirits) manufacturer's license and for a wholesaler's liquor (wine and spirits) license is \$1,050. The bill sets the fees as follows:

- from August 10, 2016, to August 10, 2017, the fee for a spirits manufacturing license is \$675 and the fee for a wholesaler's liquor license is \$800; and
- after August 10, 2017, the fee for a spirits manufacturing license is \$300 and a wholesaler's liquor license is \$550.

**Background**

**Liquor Enforcement Division (LED).** Colorado's Liquor Code is based on a three-tiered system, requiring separate licenses for manufacturers, wholesalers, and retailers. The Liquor Enforcement Division (LED), within the Department of Revenue (DOR), administers the state licensing system. For spirits manufacturer's and wholesaler's liquor licenses, \$50 of each \$1,050 license fee goes into the LED's State Licensing Authority Cash Fund.

**Recent changes in licensing.** In 2012, the LED determined that Colorado law provided that wine or spirits manufacturers did not need to obtain a separate wholesaler's license to sell their product directly to retailers. In 2014, the LED changed its policy to require that spirits manufacturers obtain a wholesaler's liquor license to distribute spirits, including through retail sales and donation.

**Current licensees.** The spirits manufacturing industry has seen significant growth in recent years, particularly in Colorado. From FY 2010-11 to FY 2014-15, the number of licensed spirits manufacturers grew from 22 to 69, and the number of licensed wine and spirits wholesalers grew from 109 to 138. Currently, there are 80 licensed spirits manufacturers and 155 licensed wine and spirits wholesalers. Of the currently licensed spirits manufacturers, 43 also have a wine and spirits wholesaler's license.

## State Revenue

***The bill decreases General Fund fee revenue by approximately \$55,750 in FY 2016-17 and \$156,250 in FY 2017-18.***

**Assumptions.** The fiscal note assumes:

- the fee decrease will begin October 1, 2016, based on the bill's effective date and the assumption that DOR needs a month to update materials;
- the bill does not change the \$50 per licensing fee that is designated for the State Licensing Authority Cash Fund;
- a 7 percent annual growth rate for those exclusively with a wholesaler's liquor license, based on the growth in the number of licensed wine and spirits wholesalers over the last five years;
- 50 percent of new spirits manufacturers will also purchase a wholesaler's liquor license in order to distribute spirits; and
- a 20 percent annual growth rate for licensed spirits manufacturers, based on an average of the 30 percent growth rate in the number of licensed spirits manufacturers over the last five years and the 11 percent growth rate in the industry nationally. The national growth rate is included due to the recent growth in the industry and the assumption that the industry is unlikely to continue growing at such a fast pace.

**Fee impact on licensees.** State law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Table 1 identifies the fee impact of lowering the General Fund portion of the fees from \$1,000 to \$625 for a spirits manufacturer's license fee and to \$750 for a wholesaler's liquor license from August 10, 2016 to August 10, 2017, and from \$1,000 to \$250 for a spirits manufacturer's license and to \$500 for a wholesaler's license beginning on August 10, 2017. The fee impact for FY 2016-17 is prorated for the assumed October 1, 2016, fee reduction.

| Table 1. Fee Impact on Licensees Under SB16-143 |                               |                   |                               |            |                 |            |            |             |
|---|-------------------------------|-------------------|-------------------------------|------------|-----------------|------------|------------|-------------|
| Fiscal Year                                     | Type of Fee                   | Current Fee to GF | Proposed Fee to GF*           | Fee Change | Number Affected | Fee Impact | Total      |             |
| Oct. 2016-<br>June 2017                         | Spirits Manufacturing License | \$1,000           | \$625                         | (\$375)    | 66              | (\$24,750) | (\$55,750) |             |
|   | Wholesaler's Liquor License   | 1,000             | 750                           | (250)      | 124             | (31,000)   |            |             |
| 2017-18   | July - Aug.                   | 1,000             | Spirits Manufacturing License | 625        | (375)           | 18         | (6,750)    | (\$156,250) |
|   | Sept. - June                  |                   | Spirits Manufacturing License | 250        | (750)           | 88         | (66,000)   |             |
|   | July - Aug.                   | 1,000             | Wholesaler's Liquor License   | 750        | (250)           | 30         | (7,500)    |             |
|   | Sept - June                   |                   | Wholesaler's Liquor License   | 500        | (500)           | 152        | (76,000)   |             |

\* The table reflects only the portion of the proposed fee that is deposited in the General Fund, as the \$50 portion of each fee that is deposited in the Liquor Cash Fund does not change under this bill.

## TABOR Impact

This bill reduces state General Fund revenue from fees, which will reduce the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund. TABOR refund obligations are not expected in FY 2016-17.

## State Expenditures

The bill increases workload in the DOR to update materials with the new fee amounts and information, including forms, the website, and the DOR's licensing system in FY 2016-17 only. This workload increase can be accomplished within existing appropriations.

## Effective Date

The bill was signed into law by the Governor on June 10, 2016, and takes effect August 10, 2016, assuming no referendum petition is filed.

## State and Local Government Contacts

Information Technology

Municipalities

Revenue

## Research Note Available

An LCS Research Note for SB 16-143 is available online and through the iLegislate app. Research notes provide additional policy and background information about the bill and summarize action taken by the General Assembly concerning the bill.