

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 03/04/11

SPONSOR SCORC LAST UPDATED _____ HB _____

SHORT TITLE Craft Distiller's License SB 546/SCORC

ANALYST Sanchez, C.

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	+\$10.0	+\$10.0	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Attorney General's Office (AGO)

Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of Bill

The Senate Corporations and Transportation Committee substitute for SB 546 adds to the Domestic Winery Act, 60-6A-21 NMSA, by creating a new type of license, a Craft Distillery license. Craft Distillers are defined under the SB 546 substitute as a person who manufactures 150,000 proof gallons per year or less of spiritous liquors, and allows for tastings of such distilled products at tastings off premises or at public celebrations off premises, which is already allowed for wineries and microbrewers. Such off premises tastings or celebrations would require a permit from the Alcohol and Gaming Department, RLD. SB 546 substitute also creates a licensing structure for Craft Distiller's licenses but generally mirrors the licensing provisions for small brewers in 60-6A-26.1 NMSA.

FISCAL IMPLICATIONS

The amount of revenue generated is unknown at this time as the Alcohol and Gaming Division (AGD) has no way of knowing how many licenses of this type would be issued. The craft distiller license would require a licensure fee of \$750.00 per year and each off-site location would require a fee of \$200 per year. Each application carries an application fee of \$200. Additional staff time to process the license applications and the public celebration permits could be required.

SIGNIFICANT ISSUES

According to Regulation and Licensing Department (RLD), the bill provides for creation of a craft distiller license, which is similar to the small brewer or winegrower license already permitted by the Liquor Control Act. The language in the bill is very close to the language already in use, but adds the requirement for federal licensure and provides that the craft distiller produce at least 60% of the products he sells with a minimum of one thousand proof gallons produced on the craft distiller's premises. These provisions ensure that applicants are bona fide manufacturers and are not attempting to skirt the requirement for a dispenser license to operate an establishment.

According to RLD, the Liquor Control Act already provides for the production of distilled spirits under a manufacturer, distiller or rectifier license. HB 546 would allow the producer to sell by the glass or in unbroken packages to the public, not just to a wholesaler and allows for tastings of the distilled spirits.

ADMINISTRATIVE IMPLICATIONS

Alcohol and Gaming Division (AGD) staff would be required to review applications for compliance with both state and federal requirements. Additional staff time could be required to process the new applications and public celebration permits authorized under this bill as well as to review the annual reports required for renewal.

TECHNICAL ISSUES

The Attorney General's Office believes the definition of spiritous liquors should be added within the Act.

Craft Distiller is defined under 60-6A-22 C as a person who manufactures not more than 150,000 proof gallons of spiritous liquors per license year (page 2, lines 7-11). However, the reporting requirements under Section 3 (page 4, lines 13-15) require that licensee manufacture no less than 1,000 gallons of spiritous liquors per license year at the license premises. According to the AGO, if the intention is that a licensee manufactures not less than 1,000 gallons and not more than 150,000 gallons of spiritous liquors, it might be clearer to add that language to both sections.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status Quo

CS/bym