

MARKUP ON ALCOHOLIC BEVERAGES

2008 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Mike Dmitrich

House Sponsor: Melvin R. Brown

LONG TITLE

General Description:

This bill modifies the Alcoholic Beverage Control Act to address markups on alcoholic beverages.

Highlighted Provisions:

This bill:

- ▶ lowers the markup on liquor manufactured by a small distillery or brewery; and
- ▶ makes technical and conforming changes.

Monies Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

32A-1-122, as last amended by Laws of Utah 2007, Chapter 284

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **32A-1-122** is amended to read:

32A-1-122. Liquor prices -- School lunch program.

(1) For purposes of this section:

(a) (i) "Landed case cost" means:



28 ~~[(i)]~~ (A) the cost of the product; and

29 ~~[(ii)]~~ (B) inbound shipping costs incurred by the department.

30 ~~[(b)]~~ (ii) "Landed case cost" does not include the outbound shipping cost from a
31 warehouse of the department to a state store.

32 (b) "Proof gallon" has the same meaning as in 26 U.S.C. Sec. 5002.

33 (2) (a) Except as provided in Subsections (2)(b) and ~~[(c)]~~ (4), ~~[all]~~ spirituous liquor and
34 wine sold by the department within the state shall be marked up in an amount not less than
35 86% above the landed case cost to the department.

36 (b) ~~[All spirituous]~~ Spiritous liquor and wine sold by the department to a military
37 ~~[installations]~~ installation in Utah shall be marked up in an amount not less than 15% above the
38 landed case cost to the department.

39 ~~[(c) If a wine manufacturer producing less than 20,000 gallons of wine in any calendar~~
40 ~~year, as verified by the department pursuant to federal or other verifiable production reports,~~
41 ~~first applies to the department for a reduced markup, all wine produced by the wine~~
42 ~~manufacturer and sold to the department shall be marked up by the department in an amount~~
43 ~~not less than 47% above the landed case cost to the department.]~~

44 (3) (a) Except as provided in ~~[Subsection]~~ Subsections (3)(b) and (4), ~~[all]~~ heavy beer
45 sold by the department within the state shall be marked up in an amount not less than 64.5%
46 above the landed case cost to the department.

47 (b) ~~[All heavy]~~ Heavy beer sold by the department to a military ~~[installations]~~
48 installation in Utah shall be marked up in an amount not less than 15% above the landed case
49 cost to the department.

50 (4) (a) Except for spirituous liquor sold by the department to a military installation in
51 Utah, spirituous liquor that is sold by the department within the state shall be marked up 47%
52 above the landed case cost to the department if:

53 (i) the spirituous liquor is manufactured by a manufacturer producing less than 30,000
54 proof gallons of spirituous liquor in a calendar year; and

55 (ii) the manufacturer applies to the department for a reduced markup.

56 (b) Except for wine sold by the department to a military installation in Utah, wine that
57 is sold by the department within the state shall be marked up 47% above the landed case cost to
58 the department if:

59 (i) the wine is manufactured by a manufacturer producing less than 20,000 gallons of
60 wine in a calendar year; and

61 (ii) the manufacturer applies to the department for a reduced markup.

62 (c) Except for heavy beer sold by the department to a military installation in Utah,
63 heavy beer that is sold by the department within the state shall be marked up 30% above the
64 landed case cost to the department if:

65 (i) a small brewer manufactures the heavy beer; and

66 (ii) the small brewer applies to the department for a reduced markup.

67 (d) The department shall verify an amount described in Subsection (4)(a) or (b)
68 pursuant to a federal or other verifiable production report.

69 ~~[(4)]~~ (5) Ten percent of the total gross revenue from sales of spiritous liquor, wine, and
70 heavy beer shall be deposited by the department with the state treasurer and credited to the
71 Uniform School Fund to be used to support the school lunch program administered by the State
72 Board of Education under Section 53A-19-201.

73 ~~[(5)]~~ (6) Nothing in this section prohibits the department from selling discontinued
74 items at a discount.

Legislative Review Note
as of 9-27-07 10:39 AM

Office of Legislative Research and General Counsel

S.B. 95 - Markup on Alcoholic Beverages

Fiscal Note

2008 General Session

State of Utah

State Impact

The State of Utah may experience a revenue loss as liquor sold by smaller distillers would be marked-up at 55% of current mark-up and beer sold by small brewers would be marked-up at 47% of the current mark-up. The Department of Alcoholic Beverage Control cannot provide data on volumes currently produced by smaller distillers and brewers sold in Utah.

Individual, Business and/or Local Impact

Enactment of this bill likely will not result in direct, measurable costs and/or benefits for local governments. Individuals and businesses may benefit from lower product costs and higher sales volume, respectively.