



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1549

PRINTERS NO. 2118

PRIME SPONSOR: Mihalek

REVENUE INCREASE / (DECREASE)

FUND	FY 2018/19	FY 2019/20
General Fund	\$0	\$1,000,000

SUMMARY: House Bill 1549, Printer's Number 2118, amends the Tax Reform Code (TRC) further providing in Sales and Use Tax for definitions, imposition of tax and special taxing authority.

ANALYSIS: The Department of Revenue issued Sales and Use Tax Bulletin 2018-02 (bulletin) on July 27, 2018, to clarify current Pennsylvania law regarding the taxation of the sale of malt or brewed beverages by manufacturers of malt or brewed beverages (manufacturers) in Pennsylvania. Specifically, the bulletin states that a manufacturer is required to collect sales taxes on the purchase price of its sales of malt or brewed beverages to any person for any purpose except sales to importing distributors or distributors. On October 1, 2018, this bulletin was revised to take effect July 1, 2019.

House Bill 1549 amends the TRC in order to address the implementation of the bulletin. This legislation defines the purchase price of malt or brewed beverages sold by a manufacturer directly to the ultimate consumer for on premise consumption to be 25% of the retail sales price. Notwithstanding any other provision of this article, the Second Class County Code or Chapter 6 of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, the sales tax shall be imposed on a manufacturer with respect to sales of malt or brewed beverages directly to ultimate consumer for consumption on premises. The manufacturer shall pay the tax in the time and manner provided in this article.

Notwithstanding any law to the contrary, nothing shall prevent a local government authorized to impose a local alcoholic beverage tax from imposing such tax on the sale at retail made by a manufacturer to the ultimate consumer for on premise consumption.

The legislation further provides that a city of the first class may elect to impose a tax on the sale at retail of malt or brewed beverages sold by a manufacturer directly to the ultimate consumer for off premise consumption. Such tax shall be imposed and levied at a rate of 2%, paid to and received by the Department of Revenue and credited to the Local Sales and Use Tax Fund.

The act shall take effect in 60 days.

FISCAL IMPACT: Over the past several years the number of craft breweries in Pennsylvania has dramatically increased. Because of the hybrid nature of these craft brewery licenses, confusion existed regarding the implementation of sales taxes to be levied on consumer purchases for both on premise and off premise consumption from such licensees. In response to this confusion, the Department of Revenue issued Sales and Use Tax Bulletin 2018-02 clarifying the implementation of the current sales tax law. Even with the issuance of this bulletin which takes effect July 1, 2019, the Department of Revenue believes that not all the craft breweries are currently in compliance.

The Department of Revenue believes that the changes made in House Bill 1549 will result in a minimal increase in sales tax revenues to the General Fund estimated to be \$1.0 million in fiscal year 2019-20. The reduction in sales tax revenues that will be realized from craft breweries that are currently compliant with the tax bulletin will be offset by the increased sales tax revenues from craft breweries that are not currently in compliance with the tax bulletin.

Similarly, this legislation also provides clarity for the imposition of the local sales taxes and local alcoholic beverage taxes on malt or brewed beverages for sales by craft brewers.

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House Appropriations Committee (R)

DATE: June 12, 2019

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.