

# Legislation Fact Sheet

## ● Auctioning of Retail Stores

- Current System:
  - The state currently owns and operates 621 state stores throughout the Commonwealth.
- Proposed Change:
  - The PLCB will divest itself from all of its duties pertaining to the purchase and sale of wine and spirits in the Commonwealth over a 2-year transitional phase-in period.
  - Would create 750 retail store licenses which would be auctioned off to the highest responsible bidder with a reserve price based upon the fair market value.

## ● Auctioning of Wholesale Distribution Operations

- Current system:
  - The state purchases all wine and spirits for distribution in Pennsylvania and ships the products to one of three warehouses for distribution to its retail Wine and Spirits stores, or for shipment to licensed bars, taverns and restaurants.
- Proposed Change:
  - Require the PLCB to auction off, to the highest bidder, up to 100 wholesale distribution licenses.
  - These licenses would have a reserve price based on the fair market value.
  - Wholesale licenses would be stratified throughout the Commonwealth and responsible to sell wine and spirits to Pennsylvania licensed retailers (i.e. existing restaurants, bars, clubs, etc. that sell wine and spirits for “on-premises” consumption; and, the newly created wine and spirits retail licensees that sell liquor for “off-premises”).

## ● New Revenues

- The Commonwealth will receive a huge influx of revenues through the auction of the state’s wholesale and retail liquor distribution apparatus.
  - Estimated to bring in \$2 billion, adjusted for inflation based on a 1997 Price Waterhouse study and the 2007 “Divesting the Pennsylvania Liquor Control Board” study by the Reason Foundation’s Geoffrey Segal.
- The state will recoup revenue from Pennsylvania consumers who currently leave the state to purchase their wine and spirits, commonly referred to as “border bleed.”
- Moving to a private system will create 850 new businesses that will pay either the corporate net income tax or the personal income tax.
- Average annual revenues from the sale of wine and spirits transferred to the General Fund, are currently \$466 million through the Johnstown Flood tax, sales tax and transferred state store profits. This proposal would bring in \$500 million annually to the General Fund through a new gallonage tax, a shift in the sales tax and corporate taxes on new businesses.

- **Elimination of Current Tax Structure**

- Currently system:
  - The PLCB purchases all wine and spirits for sale in the Commonwealth, adds a 30 percent markup from their purchase price, adds an additional 18 percent “Emergency Tax” (commonly referred to as the Johnstown Flood Tax), and then collects a 6 percent sales tax from restaurants, taverns and clubs when they purchase wine and spirits from the PLCB.
- Proposed Change:
  - The 6 percent sales tax will be assessed at the final point of sale at restaurants, taverns and clubs.
  - Remove the Johnstown Flood Tax and the 30 percent markup and levy a “gallongage tax.”
    - Currently, 26 states assess a gallongage tax on liquor and 35 states assess a gallongage tax on wine.

WINES		SPIRITS	
Most table wines	\$2/gallon	Spirits less than 17.259 percent alcohol by volume	\$4/gallon
Wines more than 17.259 percent alcohol by volume (fortified wine)	\$2.50/gallon	Spirits between 17.259 percent and 55.780 percent alcohol by volume	\$5/gallon
Champagne (natural sparkling wine)	\$3/gallon	Spirits above 55.780 percent by alcohol volume	\$6/gallon

- **Increased Safeguards**

- PLCB will retain enforcement, licensing, inspections and alcohol education authority.
- PLCB will be required to develop a training program, similar to the current Responsible Alcohol Management Program (R.A.M.P.) for wine and spirits retail store operators and their employees.
- All licensed retail stores will be required to use identification scanners with age verification software.
- All retail operations will be maintained in a separate, self-contained area dedicated solely to the sale of wine and spirits.
- All retail store employees must be at least 21 years old.
- Concurrent jurisdiction of police.

- **Employment Opportunities**

- Employees who wish to continue being employed by the Commonwealth, will receive a “leg up” in applying for other state jobs by way of receiving an additional 3 points on their civil service test score.
- Tax credits will be available for private industry companies who employ a former PLCB employee for up to three years after the employee leaves the PLCB.
- Tuition assistance will be available for former PLCB employees who choose to attend college or technical school to gain new marketable skills.