

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 576
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Business & Commerce
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Alcohol sales in Texas operate under a three-tiered system. Manufacturers of liquor must sell their product to distributors, who then sell the product to retail package stores. Package stores sell the product directly to consumers or to bars, restaurants, and clubs. The system of taxing alcohol is layered on top of this three-tiered system.

The sale of alcohol is carefully tracked and reported at the wholesale level and beyond that to the liquor stores. However, once it reaches the liquor stores, these stores are not required to report the final destination of the product—whether it is sold to the consumer or to restaurants, bars, and clubs.

Using state tax collection data compared to industry sales, it appears likely that the state is losing tax revenue. C.S.S.B. 576 requires additional reporting by wholesalers of distilled spirits and package stores selling to bars and restaurants. This reporting is similar to what is currently required for sales of beer, wine, or malt liquor. The additional reporting required in C.S.S.B. 576 will improve auditing and tax collection by the comptroller of public accounts.

C.S.S.B. 576 amends current law relating to reports filed with the comptroller regarding certain alcoholic beverage sales and provides a penalty.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the comptroller of public accounts of the State of Texas in SECTION 3 (Section 151.463, Tax Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 111.006, Tax Code, by adding Subsections (h) and (i), as follows:

(h) Requires the comptroller of public accounts of the State of Texas (comptroller) to disclose information to a person regarding net sales by quantity, brand, and size that is submitted in a report required under Section 151.462 if:

(1) the person requesting the information holds a permit or license under Chapters 19 (Wholesaler's Permit), 20 (General Class B Wholesaler's Permit), 21 (Local Class B Wholesaler's Permit), 37 (Nonresident Seller's Permit), 64 (General Distributor's License), 65 (Local Distributor's License), or 66 (Branch Distributor's License), Alcoholic Beverage Code; and

(2) the request relates only to information regarding the sale of a product distributed by the person making the request.

(i) Provides that a disclosure made under Subsection (h) is not considered a disclosure of competitively sensitive, proprietary, or confidential information.

SECTION 2. Amends Chapter 151, Tax Code, by adding Subchapter I-1, and adding a heading to that subchapter, to read as follows:

SUBCHAPTER I-1. REPORTS BY PERSONS INVOLVED IN THE MANUFACTURE AND
DISTRIBUTION OF ALCOHOLIC BEVERAGES

SECTION 3. Amends Subchapter I-1, Chapter 151, Tax Code, by adding Sections 151.462, 151.463, 151.464, 151.465, 151.466, 151.467, 151.468, 151.469, 151.470, and 151.471, and transferring Section 151.433, Tax Code, to Subchapter I-1, Chapter 151, Tax Code, redesignating it as Section 151.461, Tax Code, and amending it as follows:

Sec. 151.461. DEFINITIONS. Defines "brewer," "manufacturer," "package store local distributor," and redefines "distributor," "retailer," and "wholesaler."

Sec. 151.462. REPORTS BY BREWERS, MANUFACTURERS, WHOLESALERS, AND DISTRIBUTORS. (a) Requires the comptroller to require each brewer, manufacturer, wholesaler, distributor, or package store local distributor to file with the comptroller a report each month of alcoholic beverage sales to retailers in this state. Deletes existing text authorizing the comptroller to, when considered necessary by the comptroller for the administration of a tax under this chapter, require each wholesaler or distributor of beer, wine, or malt liquor to file with the comptroller a report each month of sales to retailers in this state.

(b) Requires each brewer, manufacturer, wholesaler, distributor, or package store local distributor to file a separate report for each permit or license held on or before the 25th day of each month. Requires the report to contain the following information for the preceding calendar month's sales in relation to each retailer:

(1) the brewer's, manufacturer's, wholesaler's, distributor's, or package store local distributor's name, address, taxpayer number and outlet number assigned by the comptroller, and alphanumeric permit or license number issued by the Texas Alcoholic Beverage Commission (TABC);

(2) the retailer's:

(A) name and address, including street name and number, city, and zip code;

(B) taxpayer number assigned by the comptroller; and

(C) alphanumeric permit or license number issued by TABC for each separate retail location or outlet to which the brewer, manufacturer, wholesaler, distributor, or package store local distributor sold the alcoholic beverages that are listed on the report, rather than the name of the retailer and the address of the retailer's outlet location to which the wholesaler or distributor delivered beer, wine, or malt liquor, including the city and zip code;

Deletes existing Subdivision (2) requiring the report to contain the taxpayer number assigned by the comptroller to the retailer, if the wholesaler or distributor is in possession of the number. Deletes existing Subdivision (3) requiring the report to contain the permit or license number assigned to the retailer by TABC.

(3) the monthly net sales made by the brewer, manufacturer, wholesaler, distributor, or package store local distributor to the retailer for each outlet or location covered by a separate retail permit or license issued by TABC, including separate line items for :

(A) the number of units of alcoholic beverages;

(B) the individual container size and pack of each unit;

(C) the brand name;

(D) the type of beverage, such as distilled spirits, wine, or malt beverage;

(E) the universal product code of the alcoholic beverage; and

(F) the net selling price of the alcoholic beverage, rather than the monthly net sales made to the retailer by outlet by the wholesaler or distributor, including the quantity and units of beer, wine, and malt liquor sold to the retailer.

Makes conforming changes.

(c) Requires the brewer, manufacturer, wholesaler, distributor, or package store local distributor, except as provided by this subsection, to file the report with the comptroller electronically. Authorizes the comptroller to establish procedures to temporarily postpone the electronic reporting requirement, rather than procedures for allowing an alternative method of filing, for a brewer, manufacturer, wholesaler, distributor, or package store local distributor who demonstrates to the comptroller an inability to comply because undue hardship would result if it were required to file the return electronically, rather than an inability to comply with the electronic reporting requirement. Authorizes the comptroller, if the comptroller determines that another technological method of filing the report is more efficient than electronic filing, to establish procedures requiring its use by brewers, manufacturers, wholesalers, distributors, and package store local distributors. Makes nonsubstantive changes.

Sec. 151.463. **RULES.** Authorizes the comptroller to adopt rules to implement this subchapter.

Sec. 151.464. **CONFIDENTIALITY.** Provides that, except as provided by Section 111.006 (Confidentiality of Information), information contained in a report required to be filed by this subchapter, rather than section, is confidential and not subject to disclosure under Chapter 552 (Public Information), Government Code.

Sec. 151.465. **APPLICABILITY TO CERTAIN BREWERS.** Provides that this subchapter applies only to a brewer whose annual production of malt liquor in this state, together with the annual production of beer at the same premises by the holder of a manufacturer's license under Section 62.12 (Sales by Certain Manufacturers), Alcoholic Beverage Code, does not exceed 75,000 barrels.

Sec. 151.466. **APPLICABILITY TO CERTAIN MANUFACTURERS.** Provides that this subchapter applies only to a manufacturer whose annual production of beer in this state does not exceed 75,000 barrels.

Sec. 151.467. **SUSPENSION OR CANCELLATION OF PERMIT.** Authorizes the comptroller, if a person fails to file a report required by this subchapter or fails to file a complete report, to suspend or cancel one or more permits issued to the person under Section 151.203 (Suspension and Revocation of Permit). Makes a conforming change.

Sec. 151.468. **CIVIL PENALTY; CRIMINAL PENALTY.** (a) Authorizes the comptroller, if a person fails to file a report required by this subchapter or fails to file a complete report, to impose a civil or criminal penalty, or both, under Section 151.7031 (Failure to Report on Three or More Occasions; Civil Penalty) or 151.709 (Failure to Furnish Report; Criminal Penalty).

(b) Requires a brewer, manufacturer, wholesaler, distributor, or package store local distributor, in addition to the penalties imposed under Subsection (a), to pay the state a civil penalty of not less than \$25 or more than \$2,000 for each day a

violation continues if the brewer, manufacturer, distributor, or package store local distributor violates this subchapter, or violates a rule adopted to administer or enforce this subchapter.

Sec. 151.469. ACTION BY TEXAS ALCOHOLIC BEVERAGE COMMISSION. Authorizes the comptroller, if a person fails to file a report required by this subchapter or fails to file a complete report, to notify TABC of the failure and authorizes TABC to take administrative action against the person for the failure under the Alcoholic Beverage Code.

Sec. 151.470. AUDIT; INSPECTION. Authorizes the comptroller to audit, inspect, or otherwise verify a brewer's, manufacturer's, wholesaler's, distributor's, or package store local distributor's compliance with this subchapter.

Sec. 151.741. ACTION BY ATTORNEY GENERAL; VENUE; ATTORNEY'S FEES. (a) Authorizes the comptroller to bring an action to enforce this subchapter and obtain any civil remedy authorized by this subchapter or any other law for the violation of this subchapter. Requires the attorney general to prosecute the action on the comptroller's behalf.

(b) Provides that venue for and jurisdiction of an action under this section is exclusively conferred on the district courts in Travis County.

(c) Provides that if the comptroller prevails in an action under this section, the comptroller and attorney general are entitled to recover court costs and reasonable attorney's fees incurred in bringing the action.

SECTION 4. Makes application of Subchapter I-1, Chapter 151, Tax Code, as added by this Act, prospective.

SECTION 5. Effective date: September 1, 2011.