



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
**(803)734-3780 • RFA.SC.GOV/IMPACTS**

*This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.*

---

<b>Bill Number:</b>	S. 0566	Introduced on February 23, 2023
<b>Author:</b>	Bennett	
<b>Subject:</b>	South Carolina Craft Beer Economic Development Act	
<b>Requestor:</b>	Senate Judiciary	
<b>RFA Analyst(s):</b>	Bryant	
<b>Impact Date:</b>	March 27, 2023	

---

### **Fiscal Impact Summary**

This bill enacts the South Carolina Craft Beer Economic Development Act. The bill permits breweries to sell up to 2,000 barrels of beer each year brewed on one or more of the brewery's premises at retail, wholesale, or both, and deliver or ship the beer to licensed retailers in the state. The bill also removes certain limitations on sales to consumers for off-premises consumption. The bill further allows breweries to apply for a special permit from the Department of Revenue (DOR) to sell beer at fairs and special functions. Additionally, the bill allows breweries permitted in the state to transfer beer produced on one or more of the brewery's permitted premises to other facilities within the state owned, leased, or rented by the brewery without being subject to the distribution and wholesale provisions of Title 61 or any state or local taxation provisions.

The bill will not impact expenditures for DOR. DOR will implement the changes required by the bill with existing staff and resources.

This bill will have no expenditure impact for the State Law Enforcement Division (SLED). The agency indicates that any increase in inspections and enforcement duties as a result of this bill can be managed by existing agents within the normal course of business.

Based upon a three-year historical average, SLED was able to retain an average of \$10,375,000 from background checks for its \$25 portion of the fee. Assuming a similar pattern in future years and since this amount is over the \$4,461,000 amount that is allocated to the General Fund pursuant to proviso, we anticipate that Other Funds of SLED will increase by an undetermined amount in FY 2023-24 as a result of the potential increase in background checks. There will be no increase to the General Fund for this portion of the bill.

RFA anticipates that this bill will have a minimal impact on total beer sales and resulting sales and alcohol tax revenues. Although we anticipate the provisions of the bill may cause a shift in the manner in which consumers purchase beer, the provisions of the bill are not expected to result in a material expansion of beer purchases. Further, based on information reported by DOR, the bill may result in a minor reduction in fees from wholesalers due to the changes to allow breweries to sell up to 2,000 barrels of beer each year brewed on one or more of the brewery's

premises at retail, wholesale, or both, and deliver or ship the beer to licensed retailers in the state. While the exact change is undetermined, DOR anticipates that the impact will be minimal.

This bill is also estimated to result in an undetermined increase in General Fund revenues due to a provision that allows breweries to apply for a special permit from DOR to sell beer at fairs and special functions for a fee of \$10 per day. At this time, it is unclear how many special permits will be requested.

## **Explanation of Fiscal Impact**

### **Introduced on February 23, 2023**

#### **State Expenditure**

This bill enacts the South Carolina Craft Beer Economic Development Act. The bill permits breweries to sell up to 2,000 barrels of beer each year brewed on one or more of the brewery's premises at retail, wholesale, or both, and deliver or ship the beer to licensed retailers in the state. The bill also removes the requirement that sales by breweries to consumers must be held in conjunction with a tour of the premises, as well as the requirement that the maximum amount of beer that may be sold to a consumer for off-premises consumption is 288 ounces. The bill further allows breweries to apply for a special permit from the DOR to sell beer at fairs and special functions. However, gross income from the beer sold at events for which a special permit has been issued may not exceed 10 percent of the brewery's gross income each year from beer sales and must come from sales at events that are promotional in nature. Additionally, the bill allows breweries permitted in the state to transfer beer produced on one or more of the brewery's permitted premises to other facilities within the state owned, leased, or rented by the brewery including, but not limited to, production facilities, storage facilities, and permitted premises. This transfer is not subject to the distribution and wholesale provisions of Title 61 or any state or local taxation provisions.

**Department of Revenue.** The bill will not impact expenditures for DOR. DOR will implement the changes required by the bill with existing staff and resources.

**State Law Enforcement Division.** This bill allows breweries to apply for a special permit from DOR to sell beer at fairs and special functions. An applicant for a special permit must obtain a criminal records check conducted by SLED within ninety days prior to submitting the application. This may increase the number of background checks that SLED will be required to perform. However, the agency indicates that any increase in inspections and enforcement duties as a result of this bill can be managed by existing agents within the normal course of business. Therefore, this bill will have no expenditure impact on SLED.

#### **State Revenue**

This bill permits breweries to sell up to 2,000 barrels of beer each year brewed on the premises at retail, wholesale, or both, and deliver or ship the beer to licensed retailers in the state. The bill also removes certain restrictions on sales to consumers for off-premises consumption and permits breweries to sell beer at events for which a special permit has been issued, with certain restrictions.

RFA anticipates that this portion of the bill will have a minimal impact on beer sales and resulting sales and alcohol tax revenues. Although we anticipate the provisions of the bill may cause a shift in the way consumers purchase beer, the provisions of the bill are not expected to result in a material expansion of beer purchases. Further, based on information reported by DOR, the bill may result in a minor reduction in fees from wholesalers due to the changes to allow breweries to sell up to 2,000 barrels of beer each year brewed on one or more of the brewery's premises at retail, wholesale, or both, and deliver or ship the beer to licensed retailers in the state. While the exact change is undetermined, DOR anticipates that the impact will be minimal.

This bill also allows breweries to apply for a special permit from DOR to sell beer at fairs and special functions. DOR may issue special permits for a period not exceeding fifteen days for a fee of \$10 per day. It is unclear how many new permits will be issued pursuant to this bill, and therefore the revenue impact to the General Fund is undetermined, contingent upon the number of permits issued.

An applicant for a special permit must obtain a criminal records check conducted by SLED within ninety days prior to submitting the application. RFA anticipates that this may increase the number of background checks that SLED will be required to perform. SLED previously indicated that the total cost for a criminal records search is \$51.75, of which \$25 is retained by SLED. The vendor, Identogo, receives \$13.50, and the remainder of the fee, \$13.25, is remitted to the FBI. Pursuant to Section 23-3-115(A), revenue generated by criminal records checks performed by SLED up to an amount of \$4,461,000 must be deposited in the General Fund. Any revenue over that amount is retained by SLED. Based upon a three-year historical average, SLED was able to retain an average of \$10,375,000 from background checks for its \$25 portion of the fee. Assuming a similar pattern in future years and since this amount is over the \$4,461,000 amount that is allocated to the General Fund pursuant to proviso, we anticipate that Other Funds of SLED will increase by an undetermined amount in FY 2023-24 as a result of the potential increase in background checks. There will be no increase to the General Fund for this portion of the bill.

#### **Local Expenditure**

N/A

#### **Local Revenue**

N/A



Frank A. Rainwater, Executive Director