



www.lsc.ohio.gov

OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

H.B. 674
133rd General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 674's Bill Analysis](#)

Version: As Reported by Senate Agriculture & Natural Resources

Primary Sponsor: Reps. Hillyer and Becker

Local Impact Statement Procedure Required: Yes

Terry Steele, Senior Budget Analyst

Highlights

- The bill specifies that liquor pods be classified as mixed beverages rather than spirituous liquor for purposes of liquor control laws and alcoholic beverage taxes. This classification may result in a loss of tax revenue to the GRF, the magnitude of which will ultimately depend on sales of these pods.
- The bill exempts brewpubs and certain wineries with A-1-A permits from a requirement to obtain a food service establishment license with local boards of health.
- The bill authorizes rules to be adopted that allow the Division of Liquor Control to deliver spirituous liquor directly to personal consumers in original containers. If the Division were to adopt these rules for direct-to-consumer delivery, presumably it would do so in a manner designed to generate a profit.
- The bill creates a new F-11 permit (\$60) available to a nonprofit organization of at least 250 members that allows the organization to sell beer from craft breweries. The permit revenue would be deposited into the Undivided Liquor Permit Fund (Fund 7066).

Detailed Analysis

Intoxicating liquor pods

The bill, for purposes of liquor control laws and alcoholic beverage taxes, treats a pod containing spirituous liquor (more than 21% alcohol) as a mixed beverage, even though the beverage exceeds the statutory minimum level of alcohol for spirituous liquor. Subjecting these pods to the alcoholic beverage tax rather than the liquor gallonage tax may reduce GRF revenue. LBO economists believe the revenue loss, if any, would likely be less than \$1.0 million in the first year, but could grow to exceed \$1.0 million in ensuing years depending on the

growth of the consumption of the product. Currently, the mixed drink gallonage tax is \$1.20 per gallon, whereas the spirituous liquor tax is \$3.38 per gallon.

F-11 permits

The bill creates a new F-11 permit, which is available for a nonprofit organization of at least 250 members. The permit allows the nonprofit to conduct an event that meets specific criteria at which the permit holder may sell beer from participating craft breweries. These types of events would include craft brew festivals, for example. The cost of the permit is \$60, and these permits expire after 72 hours. It is unclear how frequently such permits would be issued. This permit revenue would be deposited into Fund 7066.

Food sales by brewpubs and certain wineries

The bill exempts certain brewpubs (A-1-A permits) from the requirement to obtain a retail food establishment license or food service operation license from a board of health. The bill allows these establishments to instead serve unopened, commercially prepackaged meals without this license, or to maintain a schedule with a mobile retail food establishment or mobile food service operation. Presumably, some local boards of health would see a reduction in license revenue from these A-1-A permit holders who currently have a retail food establishment license and instead elect to use the authority granted in the bill. As of July 2020, there were 326 active A-1-A permits, and approximately 280 wineries operating in Ohio. It is unclear as to how many wineries would qualify and elect to acquire an A-1-A permit under the bill.

Delivery of spirituous liquor

The bill permits the Superintendent of the Division of Liquor Control to adopt rules allowing for the delivery of spirituous liquor to personal consumers in original containers. It is unclear how such a program would work operationally, or what impact such a program would have on state liquor sales overall. Presumably, the Division of Liquor Control would elect to implement such a program only if the revenue collected through such a program would exceed any implementation costs.