

Statement of Estimated State Revenue Impact

Date: February 16, 2011

Bill Number: H.B. 3295

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Committee Requesting Impact: House Ways & Means Committee

Bill Summary

A bill to amend Section 61-6-1820, of the Code of Laws of South Carolina, 1976, relating to the criteria for a nonprofit organization to obtain a license to sell alcoholic liquors by the drink, so as to provide that under certain conditions a homeowner's association, chartered as a nonprofit organization by the Secretary of State, whose membership is limited to individuals who own property in the residential community and whose affairs are governed by a Board of Directors elected by the membership, is also eligible for such a license.

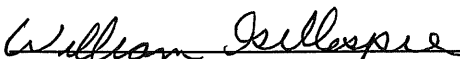
REVENUE IMPACT ^{1/}

This bill would increase General Fund alcoholic liquor tax revenue by an estimated \$1,650,000 in FY2011-12.

Explanation

This bill would amend Section 61-6-1820(1) to allow a nonprofit homeowner's association registered with the Secretary of State to make an application for a license to serve alcohol. The eligible homeowner's association would be limited to the individuals who own property in a residential community and whose affairs are governed by a board of directors elected by the membership. This provision would also allow the association to pay a reasonable salary or other form of compensation to a member, officer, agent, or employee of association from any profit from the sale of alcoholic beverages as voted on at a meeting of the association. Upon dissolution of the association, any remaining assets may be distributed to its members.

According to Section 61-6-1820(6), a nonprofit organization is an organization not open to the public, but with a limited membership and established for social, benevolent, patriotic, recreational, or fraternal purposes. Based upon figures from the Secretary of State, there are currently 2,000 registered nonprofit homeowner's associations in South Carolina. In order to serve alcohol, the association would have to make an application to the Department of Revenue and remit a nonrefundable application fee of \$100 and pay a biennial license fee of \$1,500 for a nonprofit organization pursuant to Section 61-6-1810. Since not every association has their own meeting place or clubhouse, we estimate one-half of the registered homeowner associations could apply for a liquor license. Multiplying 1,000 registered nonprofit homeowner's associations by a nonrefundable application fee of \$100 and a biennial license fee of \$1,500 yields an estimated \$1,600,000 of General Fund alcoholic liquor tax revenue in FY2011-12. We also expect an additional \$50,000 of liquor-by-the-drink tax revenue from the five percent sales tax of the drink price pursuant to Section 12-33-245 in FY2011-12. This act takes effect upon approval by the Governor.



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Chief Economist

Analyst: Martin

^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.