



# North Carolina Spirits Association

Legislative Report  
May 15, 2020

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The General Assembly will return to Raleigh on May 18. They held a brief session two weeks ago that focused on COVID-19 relief funding and policy changes. The session beginning next week is expected to see more COVID-19 relief bills, but will be open to other issues. Senate President Pro Tem Phil Berger has indicated that he prefers to wait for further guidance from the federal government before the state decides how to spend additional federal money. It is not clear yet if states will be allowed to fund shortfalls in their own budgets with the federal money, and North Carolina is expected to have a sizable shortfall this year. Visitors were not allowed in the Legislative Building for the brief session held two weeks ago and committees were held virtually. Leadership has indicated that visitors will be allowed next week, as the legislature returns to more normal functioning, but will still likely limit the number of visitors allowed in the building. The House Select Committee on COVID-19 has continued meeting virtually.

Governor Cooper has relaxed COVID-19 restrictions and moved the State into Phase 1 of his three-phase plan to reopening. Phase 1 allows retail establishments to open at 20% capacity. Restaurants and bars are still limited to takeout or delivery only. Gyms, salons, entertainment venues, and playgrounds remain closed. Phase 1 is expected to last two to three weeks.

The Revenue Laws Study Committee met this week to recommend two bills for consideration during the upcoming session. The first, [Various Sales Tax Changes](#), has three parts that do the following: expands the definition of livestock for sales tax purposes, broadens the large fulfillment facility sales and use tax exemption to attract more companies, and exempts various education related digital property from sales tax. The Fiscal Research Division released a fiscal memo stating that the provisions would have an insignificant effect on revenue. The second issue taken up by the Committee was the annual [IRC Update](#). This bill updates the State Tax Code to reflect changes to the federal code, and adopts most of the federal code, but decouples from certain provisions. The bill currently has the State decoupling from many of the tax relief changes made by the federal CARES Act. The decision to treat payments from the Paycheck Protection Program as taxable income drew criticism from several members. Bill sponsors noted that choosing not to decouple would cost the State hundreds of millions of dollars when the State is already facing a sizable shortfall. The bill was approved, but Committee members noted that they wanted to revisit the issue as it makes its way through the legislative process. The IRC Update was rolled into a [larger bill](#) with the following parts: IRC Update, excise tax changes, sales and use tax changes, personal income tax changes, corporate tax changes, and tax enforcement and administrative changes.

Legislators had until Wednesday May 13 to file bills recommended by study commissions. Budget bills and bills affecting state or local retirement systems were due by Thursday May 14, and all local bills must be filed by Tuesday May 19. There are a number of

bills that do not have introduction deadlines, such as proposed constitutional amendments, election law changes, and appointments.

Likely due to the unusual nature of a session in the middle of a pandemic, legislators have filed substantially fewer bills than during the same period of 2018's short session. Legislative leaders expect much of their work will focus on coronavirus relief and budget problems caused by revenue losses. As of Wednesday May 13, House members had filed 39 bills since the session opened on April 28, and senators had filed 30. These numbers are much less than the legislation filed ahead of the same deadline in 2018, when the House had 153 new bills and the Senate had 91.

The House and Senate adjourned this week, and the Senate will return on Monday and the House on Tuesday.

### **BILLS OF INTEREST**

**House Bill 1082, ABC Administrative Penalties/PED Study**, would direct the Alcoholic Beverage Control Commission to (i) create a policy that establishes a rationale for administrative penalties and improves transparency for permittees, (ii) study and report on the feasibility of implementing a throughput-based or sales-based penalty structure for determining monetary penalties for administrative violations, and (iii) include effectiveness criteria on its web site to evaluate the effectiveness of administrative penalties at reducing the number of repeat offenders, as recommended by the Joint Legislative Program Evaluation Oversight Committee. **Introduced by Representatives Hurley and Lucas and referred to the House Judiciary Committee.**

**Senate Bill 748, Expand Mixed Beverage Sale During Pandemic**, would authorize the Chairman of the Alcoholic Beverage Control Commission to allow mixed beverage permittees to engage in retail sales for consumption off the premises, including delivery by the permittee, an employee of the permittee, or independent contractor during the COVID-19 emergency. The bill would allow the Chairman to set terms and conditions for the sales and deliveries, but requires that products sold or delivered under the provision to be (1) packaged in a container with a secure lid or cap and in a manner designed to prevent consumption without removal, (2) sold only with food, and (3) limited to two servings per meal or food item ordered. This bill would expire on the date that Executive Order 116, declaring a state of emergency to coordinate COVID-19 response, expires or is rescinded. **Introduced by Senators Peterson and Chaudhuri.**

**Senate Bill 770, Mixed Beverages Permit Fees/Reimburse Portion**, would appropriate \$1.6 million in non-recurring funds to the Department of Public Safety for a one time reimbursement of mixed beverages permit fees paid to the Alcoholic Beverage Control Commission, for the benefit of permittees whose business was impacted by the COVID-19 outbreak in North Carolina. **Introduced by Senators Garrett, Peterson and Chaudhuri.**

**Senate Bill 788, Save or Restaurants Act**, would set aside \$125 million of the federal COVID-19 relief funds North Carolina received from the federal government, \$50 million for restaurants

and \$75 million for hotels, for short term loans to assist restaurants, bars and hotels during the COVID-19 crisis. **Introduced by Senators Chaudhuri and Peterson.**

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For more information about legislation described in the legislative reports, feel free to contact me at [dferrell@nexsenpruet.com](mailto:dferrell@nexsenpruet.com) or (919) 573-7421. Information is also available on the General Assembly's website: [www.ncleg.gov](http://www.ncleg.gov).

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