



North Carolina Spirits Association

Legislative Report
April 23, 2021

The 2021 Legislative Session continued to pick up pace this week. The Senate is now in the throes of crafting its budget after holding joint meetings with the House over the past month. Senators are expected to continue their work for the next several weeks before handing the budget off to the House. It is still unclear if the two chambers have agreed on a total spending number for the budget, and this lack of a unified starting point may prove challenging during the conference process, but only time will tell.

While the Senate's bill filing deadline has already passed, the House deadline is May 4, and House members continue to file new bills each day. Other than time-sensitive bills, each chamber will likely not move bills from the other chamber until after the May 13 crossover deadline. As a reminder, the crossover deadline is the date by which most bills have to pass the chamber in which they originated to be eligible for the remainder of the biennium.

On Wednesday, Governor Roy Cooper announced plans to lift many COVID-19 restrictions in June, noting his hopes that at least two-thirds of North Carolinians will have received at least their first vaccine shot by then. The list of restrictions under consideration includes capacity limits at various venues, social distancing requirements and mass gathering limits. The statewide mask mandate remains under discussion, with the possibility of no longer requiring a mask in outdoor spaces. The Governor plans to issue an executive order spelling out his plans next week.

This week, the House passed a bill that would change how North Carolina treats federal Paycheck Protection Program (PPP) loans. These loans were essential to many struggling businesses across the state during the COVID-19 pandemic. Currently, North Carolina allows businesses to exempt forgiven PPP loans from income for tax purposes, but they cannot deduct business expenses paid using PPP loans. However, the federal government allows businesses to deduct those expenses, and North Carolina is one of a few states not conforming to this decision. The bill would couple North Carolina's code to the federal code and allow those deductions. The House initially only allowed businesses to deduct expenses for the 2020 tax year but amended the bill on the floor to include the 2021 tax year. In that same amendment, it also voted to include a deduction for unemployment benefits. Senate leader Phil Berger said that the Senate has not determined how it will handle the bill but does not expect it to be considered for another few weeks.

Last session, lawmakers took exception to many health care providers' and nursing homes' COVID-19 protocols, which limited visitors in healthcare settings. The policies were aimed at preventing the spread of the virus, especially among those already sick or vulnerable. But, it also meant that many people in hospitals and nursing homes were isolated from their

loved ones, and some died alone. A bill was passed by the Senate last year seeking to change these policies, but that bill never made it across the legislative finish line. Lawmakers are taking another shot this year at setting up minimum visitation policies. Senate Bill 191, the No Patient Left Alone Act, would require health facilities to allow visitors or face a \$500 a day fine. Facilities could still use health screenings for those entering the premises. The bill was heard in the Senate Health Committee this week, where some changes were made, but no vote was taken.

The House and Senate adjourned on Thursday and will reconvene on Monday April 26.

BILLS OF INTEREST

House Bill 619, Alcohol Bev. Manufacture Sales Tax Exemption, would enact a new sales tax exemption to GS 105-164.13 to exempt from sales tax sales of machinery, equipment, parts, and accessories used in the manufacture of the following specified items by the following specified permittees, as well as supplies and ingredients used or consumed in the manufacture: unfortified winery permittees for the manufacture of unfortified wine; fortified winery permittees for the manufacture of fortified wine; brewery permittees for the manufacture of malt beverages; and distillery permittees for the manufacture of spirituous liquor. **Introduction by Representatives Moffitt, Richardson, Setzer, and Winslow and referred to the House ABC Committee.**

House Bill 669, Distribute Alcohol Without Discrimination, would prohibit “discrimination and advantage” in the distribution of spirituous liquor to local ABC Boards. The bill states that the ABC Commission shall make a good-faith effort, without discrimination, to make all spirituous liquor distributed by the Commission available to all local boards. The bill would require the Commission to adopt rules regarding the ordering of spirituous liquor by local boards.

The bill states that a contractor that has entered into a contract pursuant to this section shall not directly or indirectly provide information to a local board which gives any advantage to one board over another board concerning product selection, availability, or otherwise obtaining spirituous liquor distributed by the Commission. Any violation of this subsection by the contractor, an employee of the contractor, or any person working in concert with the contractor shall be grounds for the Commission to terminate the contract.

The bill provides that the Commission would maintain a record of all products that the Commission either (i) limits distribution of due to limited availability or (ii) allocates the distribution of to local boards. The record would be made available to all local boards and would include the following for all limited distribution or allocated products received by the Commission: (1) The product code number; (2) The brand name; (3) The quantity received by the Commission; (4) The date received by the Commission; (5) The name of each local board that received the product, the date each local board received the product, and the quantity each local board received. **Introduced by Representatives Moffitt, Szoka, Johnson and Moss.**

BILL STATUS

House Bill 211, Reopen Bars and Restaurants, was approved by the House ABC Committee this week.

House Bill 322, Limit ABC License Requirements, was approved by the House ABC Committee, and is scheduled for further consideration in the House Local Government Committee.

House Bill 366, Regulatory Reform Act of 2021, passed the House Rules Committee and was approved by the full House. This bill would, among other things, allow distilleries based in North Carolina to sell spirituous liquor produced by the distiller directly to consumers in other states, if that state allows direct shipment to consumers from out of state.

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

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