



2023-2024 General Assembly

# SENATE BILL 527: ABC Omnibus 2023-24, Sec. 23: Cap the Tax on Qualifying Spirituous Liquor Purchases

**Committee:**  
**Introduced by:**  
**Analysis of:** Sec. 23 of S.L. 2024-41

**Date:** August 13, 2024  
**Prepared by:** Trina Griffin  
Staff Attorney

**OVERVIEW:** Section 23 of S.L. 2024-41 caps the amount of sales and use tax payable on the purchase of a single container of spirituous liquor the purchase price of which is equal to or greater than \$50,000. In order to effectuate this cap administratively, a purchaser must either apply to the Department of Revenue for a direct pay permit and pay the tax directly to the Secretary, or the seller may voluntarily collect the tax on behalf of the purchaser.

*This section becomes effective January 1, 2025, and applies to purchases occurring on or after that date.*

**CURRENT LAW:** The excise tax on spirituous liquor is 30%. The sales and use tax on spirituous liquor other than mixed beverages is the general combined State and local rate of 7%.

**BILL ANALYSIS:** Section 23 of S.L. 2024-41 provides that for purchases of a single container of spirituous liquor with a purchase price of at least \$50,000, the purchaser may apply to the Secretary of Revenue for a direct pay permit authorizing the permit holder to purchase the spirituous liquor without paying tax to the seller and authorizing the seller not to collect any tax from the permit holder. The purchaser must file a return and pay the tax due directly to the Secretary. This section exempts a distillery from remitting excise tax on spirituous liquor for which the purchase price is at least \$50,000 for a single container, and caps the use tax on such spirituous liquor at \$1,000.

This section provides an effective cap on the amount of sales and use tax payable on the purchase of a single container of spirituous liquor the purchase price of which is equal to or greater than \$50,000. Under the Streamlined Sales and Use Tax Agreement, North Carolina may either tax an item of tangible personal property or exempt it from sales tax, but it may not impose a cap on the amount of sales tax payable. However, under the Streamlined Sales and Use Tax Agreement, a State may allow a cap on the amount of sales and use tax payable if the burden of administering the cap is removed from the retailer.

A seller of qualifying spirituous liquor would be allowed to voluntarily collect the sales and use tax on behalf of the purchaser. Sellers of these products may prefer to voluntarily collect the tax rather than requiring their customers to obtain a direct pay permit.

**EFFECTIVE DATE:** This section becomes effective January 1, 2025, and applies to purchases on or after that date.

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