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Raise a glass: Pennsylvania's archaic liquor laws are finally changing

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Local brewers, distributors and retailers of beer in Pennsylvania have had a direct and positive impact on Pennsylvania's economy over the last year.

According to a biennial economic impact study by Beer Serves America, the combined direct, supplier and induced economic impact of the beer industry in Pennsylvania brought more than \$9.2 billion (yes, billion) into the Commonwealth in 2014. Compare that to the nearly \$253 billion generated by the U.S. beer industry overall.

Additionally, brewers, distributors and retailers employ nearly 41,000 people in Pennsylvania and contribute more than \$3.7 billion in annual wages to those employees. This has a ripple effect, as Pennsylvania's beer industry helps generate jobs in other related industries such as agriculture (1,699 jobs), business and personal services (10,953 jobs), construction (465 jobs), finance, insurance and real estate (3,289 jobs), general manufacturing (3,099 jobs), retail (2,572 jobs), transportation and communication (2,542 jobs), travel and entertainment (2,870 jobs), wholesale (1,251 jobs) and other (929 jobs). Some or all of these job numbers would be significantly impacted without the growth of Pennsylvania's brewing and beer distribution industries.

Pennsylvania has 558 beer distributors and 189 breweries. The industry generated over \$625 million in federal taxes, and more than \$414 million in state taxes, totaling \$1,040,308,000 in 2014 alone. Pursuant to the Beer Serves America study, taxes account for almost 36% of beer's retail price (e.g., a \$2 beer includes 71 cents in taxes). Pennsylvania state and local governments, as well as the federal government, all collect a number of special taxes on the sale and production of beer. Retail, distribution and brewing companies, and their employees, must also pay personal and business taxes, as with other industries, which amounts to 29-cents for every dollar spent on beer.

While the economic impact of beer in Pennsylvania is positive, it is no secret that the Commonwealth still has some of the most archaic liquor laws in the country. However, that is slowly changing.

Recently, the Pennsylvania Senate passed House Bill 189, which amends the Pennsylvania Liquor Code to permit wine producers to ship wine directly to Commonwealth residents, and also reduces the special liquor order markup for licensees. Wine-makers must obtain a direct

shipper's license before making shipments, and the license must be renewed annually. Once they have secured the license, the licensee may ship an unlimited amount of wine to any Pennsylvania resident who is over the age of 21 for their personal use. Of course, the buyer's age must be verified before shipment.

Additionally, direct wine shippers must agree to collect the Commonwealth's 6% sales tax, any local sales taxes imposed by counties of the second class or cities of the first class, its 18% liquor tax and shipping charges on all products shipped into and within the Commonwealth. The markup on Special Liquor Orders is reduced from 30% to 10%, which means restaurants and bars will pay less when ordering products that are unavailable at the state store.

In another positive step forward, earlier this year, the **Pennsylvania Liquor Control Board** (PLCB) declared that beer distributors are permitted to sell 12-packs of beer. The distributors are required to purchase the beer in 12-pack shipments in order to resell to the consumer in that quantity. This was a huge win for Pennsylvania distributors, who had previously been limited to selling beer by the case or keg. While the Pennsylvania Liquor Code permits bars, supermarkets and convenience stores to sell beers by the 6-pack, it tends to be sold at higher costs than those charged by distributors.

Wawa, one of Pennsylvania's largest (and most beloved) convenience stores chains, may soon be entering the retail beer market. It is likely that the PLCB will soon be deciding whether to approve a retail license for a Wawa in Delaware County, Pennsylvania. In early August, the Concord Township Board of Supervisors approved beer sales at the Wawa located at 721 Naamans Creek Road in Chadds Ford. If approved, customers will be able to purchase up to two 6-packs of beer at the Delaware County store. The Naamans Creek Road store is the first Wawa in Pennsylvania to be approved for beer sales. Beer sales at Wawa could mean a whole new and vast market for local beer brewers. If Wawa chooses to expand the sale of beer to its other locations, local brewers could put their product in front of a large new set of consumers.

It looks like the beer industry's valuable contribution to Pennsylvania's economy is continuing through 2015. Help keep it going by stepping out and supporting your local retailers, distributors, breweries and brew pubs.

Bianca Roberto, an attorney at Stark & Stark, concentrates her practice in the area of transactional and litigation work, representing corporations, banks, boards, and individuals in a broad range of matters including Beer & Spirits law. The Stark & Stark Beer & Spirits practice is one of the only practices in New Jersey and Pennsylvania with a team dedicated to the needs of the craft beer and artisan spirits industry.