



SB 20-110

Concerning Fines Levied by Licensing Authority for Violations of Laws Related to Alcohol Beverages

Background:

Per statute (44-3-601(3)(b), C.R.S.) fines shall be the equivalent to twenty percent of the licensee's estimated gross revenues from sales of alcohol beverages during the period of the proposed suspension; except that the fine must be between two hundred and five thousand dollars.

For 2 years in rulemaking we have heard industry say the fine range of \$200-\$5,000 does not serve the purpose, which is to deter violations and encourage voluntary compliance. SB 20-110 will increase the range to \$500 - \$100,000, which is consistent with other states and other DOR divisions, including the Marijuana Enforcement Division.

This 20% provision ensures the fine is proportionate for the size of the business. The business also has the option of shutting down for a number of days based on a penalty and fine matrix that was developed by LED and industry several years ago.

Using this standard calculation, in order to get to a \$100,000 penalty for a first time sale to a minor offense, a retail liquor store would have to generate approximately **3 million dollars a month in alcohol sales.**

For example:

- (1) If "Bob's Liquors" has a monthly alcohol sales total of \$40,000 for the month of February, 2020, their average daily sales would be: \$1,379 (monthly sales divided by 29 days in February, 2020);
- (2) That resulting daily sales total, multiplied by five (5) days of proposed active suspension would be: \$6,896.
- (3) 20% of the above total would be: \$1,379 ← this would be the fine that Bob's Liquors would have to pay in lieu of serving the five (5) active days of their proposed suspension.

Amendment (L.001) maintains the five thousand dollar limit for the first offense but still increases the range for subsequent infractions. This compromise with industry gives them peace of mind that businesses won't be fined \$100,000 at first opportunity. The amendment also directs the State Licensing Authority to work with industry to update the penalty and fine matrix.

Please note, all revenue generated from penalties and fines goes to the state General Fund and does not implicate LED's budget in any way. LED very much supports economic growth in the liquor industry and is proactive in providing licensees with educational opportunities rather than severe penalties. LED maintains discretion in assessing penalties, which can be aggravated or mitigated by a variety of circumstances.