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## MEMORANDUM

November 29, 2016

**TO:** Interested Persons

**FROM:** Anna Gerstle, Fiscal Analyst  
Luisa Altmann, Research Analyst

**SUBJECT:** Overview of Colorado Liquor Licensing Law

### Summary

This memorandum is designed to be a reference guide for legislators and the public on the topic of Colorado laws related to liquor licensing. It covers the three-tier regulatory structure, license and permit types, general licensing requirements, and related fees, taxes, and recent legislation.

### Background

Colorado's liquor laws were first codified in 1935. The Colorado Beer Code regulates fermented malt beverages (commonly known as 3.2 beer), which were categorized as a "non-intoxicating liquor" during the wait for states to ratify the 21st Amendment to the U.S. Constitution.<sup>1</sup> The Colorado Liquor Code regulates full-strength beer, wine, and liquor.<sup>2</sup>

### Regulatory Structure

A three-tier regulatory system divides the manufacturing, wholesale distribution, and retail sale of alcohol. Within this system, there are over 40 varieties of licenses and permits, with each individual location required to have a separate license and/or permit. In general, a business owning or having a financial interest in a license may not own or have an interest in a license from another tier, with a few exceptions.

In Colorado, licenses are issued by one or both of the state and local licensing authorities. Manufacturers, wholesalers, and importers apply directly to the state for a license, while retail licenses are issued by both the state and local licensing authorities.

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<sup>1</sup>Section 12-46-101, *et seq.*, C.R.S.

<sup>2</sup>Section 12-47-101, *et seq.*, C.R.S.

## Manufacturer's and Importer's Licenses

Manufacturer's licenses are issued to breweries, wineries, and distilleries based on the type of alcohol produced. Table 1 below shows the number of manufacturer's licenses in Colorado as of November 9, 2016, and the related state and local licensing fees.

**Manufacturer's license.** Licensed manufacturers are authorized to produce full-strength beer, wine, or spirits in Colorado.

- *Licensed wineries* may conduct tastings and sell the wine they manufacture, along with wine manufactured by other Colorado wineries, directly to customers on the licensed premises of the winery and at one other approved sales room location for consumption on and/or off the licensed premises. Licensed wineries are allowed to sell food, general merchandise, and nonalcoholic beverages.
- *Licensed distilleries* may conduct tastings and sell only the spirits they manufacture directly to customers on the licensed premises of the distillery and at one other approved sales room location for consumption on and/or off the licensed premises. Licensed distilleries are allowed to sell food, general merchandise, and nonalcoholic beverages.
- *Licensed breweries* must hold both a beer manufacturer's and a beer wholesaler's license in order to sell beer directly to customers in a sales room for consumption on and/or off the licensed premises.
- *Fermented malt beverage manufacturer's licenses* authorize the production of 3.2 beer in Colorado.

**Nonresident manufacturer's and importer's licenses.** Nonresident manufacturer's and importer's licenses allow the licensee to import alcohol into Colorado and sell it to licensed wholesalers. Licenses are issued based on the type of alcohol produced and include the following license types:

- *Fermented malt beverage nonresident manufacturer's licenses* are issued to 3.2 beer manufacturers outside of Colorado, authorizing them to import and sell 3.2 beer to licensed wholesalers in the state.
- *Nonresident manufacturer's licenses* are issued to persons manufacturing full-strength beer outside of Colorado, authorizing them to import and sell full-strength beer to licensed wholesalers in the state.
- *Fermented malt beverage importer's licenses* are issued to persons importing 3.2 beer into Colorado, authorizing them to import and sell 3.2 beer to licensed wholesalers in the state.
- *Malt liquor importer's licenses* are issued to persons importing full-strength beer into Colorado, authorizing them to import and sell full-strength beer to licensed wholesalers in the state.
- *Importer's licenses* are issued to persons importing wine and/or spirits into Colorado, authorizing them to import and sell wine or spirits to licensed wholesalers in the state.

**Table 1. Manufacturer's and Importer's Licenses and Fees**

License Type	Number of Licenses	State Fee*	Local Fee*
<b>Manufacturer's</b>			
Fermented Malt Beverage		\$150	\$25(city) / \$50(county)
Resident	6		
Nonresident	5		
Full-Strength Beer		\$300	Not set in statute
Resident	230		
Nonresident	31		
Wine	6	\$300	Not set in statute
Spirits	87	\$675	Not set in statute
<b>Importer's</b>			
Fermented Malt Beverage	13	\$150	\$25(city) / \$50(county)
Full-Strength Beer	73	\$500	Not set in statute
Wine/Spirits	505	\$800	Not set in statute

Source: Colorado Department of Revenue (as of November 9, 2016), Colorado Revised Statutes.

\*Note: This table includes only fees set in statute. Other fees are set administratively by the Department of Revenue or by the local licensing authority.

### Wholesaler's Licenses

Wholesalers distribute alcohol from manufacturers to retailers. Licenses are issued based on the type of alcohol distributed. Table 2 below shows the number of wholesaler's licenses in Colorado as of November 9, 2016, and the related state and local licensing fees.

**Fermented malt beverage wholesaler's license.** These licensees are authorized to sell 3.2 beer to licensed retailers within a designated area, as agreed upon by the licensee and the manufacturer.

**Beer wholesaler's license.** These licensees are authorized to take orders for and sell full-strength beer to licensed retailers within a designated area, as agreed upon by the licensee and the manufacturer. Licensees may also operate one sales room in the state where beer can be sold directly to customers for consumption on and/or off the licensed premises. Licensed breweries must hold both a beer manufacturer's and a beer wholesaler's license in order to sell beer directly to customers in a sales room for consumption on and/or off the licensed premises.

**Liquor wholesaler's license.** These licensees are authorized to take orders for and sell wine and/or spirits at wholesale, operate one or more warehouses, and package wine and spirits.

**Table 2. Wholesaler’s Licenses and Fees**

License Type	Number of Licenses	State Fee*	Local Fee*
Fermented Malt Beverage	43	\$150	\$25(city) / \$50(county)
Full-Strength Beer	284	\$550	Not set in statute
Wine/Spirits	175	\$800	Not set in statute

Source: Colorado Department of Revenue (as of November 9, 2016), Colorado Revised Statutes.

\*Note: This table includes only fees set in statute. Other fees are set administratively by the Department of Revenue or by the local licensing authority.

**Retail Licenses**

Retail licenses are issued to establishments that sell alcohol for off-premises consumption, on-premises consumption, or both. Table 3 lists retail license types by category, and Table 4 below shows the number of retail licenses in Colorado as of November 9, 2016, and the related state and local licensing fees.

**Table 3. Retail Licenses and Permits by Category**

Off-Premises	On-Premises	On and/or Off Premises
Retail Liquor Store Liquor-licensed Drugstore Liquor-licensed Drugstore Manager’s Permit	Art Gallery Arts Bed and Breakfast Beer and Wine Club Hotel and Restaurant Optional Premises Permit Resort-Complex-Related Facility Lodging and Entertainment Facility Optional Premises License Public Transportation System Racetrack Retail Gaming Tavern Tavern	Fermented Malt Beverage Retailer

**Off-premises retail licenses and permits.** Licensed retail liquor stores and liquor-licensed drugstores are authorized to sell full-strength beer, wine, and spirits in original sealed containers for off-premises consumption. These licensed retailers must purchase all alcohol from licensed wholesalers and may conduct approved tastings.

- *Retail liquor store license.* These licensees may sell any nonalcoholic products, as long as the annual gross revenue from the sale of these products does not exceed 20 percent of the store’s total annual gross revenues.
- *Liquor-licensed drugstore license.* These licenses are issued to drugstores licensed by the State Board of Pharmacy. Licensees who obtain a new license or renew their license after January 1, 2017, must derive at least 20 percent of gross annual income from the sale of food items and be open to the public. Licensees may not sell alcohol below cost, allow customers to purchase alcohol at a self-checkout, or sell clothing or accessories related to alcohol.

- ▶ *Liquor-licensed drugstore manager's permit.* As of January 1, 2017, each liquor-licensed drugstore is required to have at least one permitted manager working on the licensed premises who is responsible for the licensee's alcohol beverage operations. The individual must be at least 21 years of age and must not have been convicted of a crime involving the sale or distribution of alcohol within the prior eight years or any felony within the prior five years. Managers are encouraged to purchase and promote locally produced alcohol beverage products.

***On-premises retail licenses and permits.*** Establishments that sell alcohol for consumption on the licensed premises are required to obtain one of the following licenses or permits:

- *Art gallery permit.* An art gallery, where the primary purpose is to exhibit and offer for sale works of fine art or precious metals or stones, may be permitted to offer complimentary alcohol beverages. The permit allows permittees to serve alcohol on no more than 15 days per year. Permittees may not charge an entrance fee or cover charge in connection with offering alcohol beverages and may not intentionally allow more than 250 people onto the premises while alcohol is being served.
- *Arts license.* These licenses are issued to nonprofit arts organizations that sponsor and present productions or performances of an artistic or cultural nature and authorize the licensee to sell alcohol beverages to patrons of the production or performance. Licenses may also be issued to municipalities owning arts facilities. Licensees may not advertise the sale of alcohol.
- *Bed and breakfast permit.* A bed and breakfast with no more than 20 sleeping rooms that provides at least one meal per day at no charge may obtain a bed and breakfast permit instead of a hotel and restaurant license. Permittees may offer complimentary alcohol beverages to overnight guests. Permittees may not sell alcohol beverages and may not serve alcohol for more than four hours in any one day.
- *Beer and wine license.* These licenses are issued to establishments selling 3.2 beer, full-strength beer, and wine. Licensees must have sandwiches and light snacks available for consumption on the licensed premises during business hours.
- *Club license.* These licenses are issued to clubs authorizing the sale of alcohol beverages to members of the club and guests. The club must have been incorporated for at least three years, have a membership that has paid dues for at least three years, and operate solely for objects of a national, social, fraternal, patriotic, political, or athletic nature, but not for financial gain.
- *Hotel and restaurant license.* These licenses are issued to hotels and restaurants selling alcohol beverages to customers. Hotels may also provide complimentary alcohol beverages in sealed containers to guests, or sell alcohol beverages in sealed containers with a capacity of 500 milliliters or less through in-room minibars. Meals must be regularly served and provide at least 25 percent of the gross income from sales of food and drink of the business annually. Licensees must have a separate registered manager who can purchase alcohol beverages for that licensed location only.

- ▶ *Optional premises permit.* An optional premises permit may be issued to a hotel and restaurant licensee with an outdoor sports and recreational facility onsite, as allowed by the local jurisdiction.
- ▶ *Resort-complex-related facility permit.* A licensed hotel may be designated as a resort complex if it has at least 50 sleeping rooms and has related sports and recreational facilities for the convenience of its guests or the general public on the premises. Permittees may allow customers and guests who purchase alcohol beverages at one related facility to carry those beverages to other related facilities within the overall licensed premises boundaries of the resort complex.
- *Lodging and entertainment facility license.* These licenses are issued to either a lodging facility, where the primary business is to provide the public with sleeping rooms and meeting facilities, or an entertainment facility, where the primary business is to provide the public with sports or entertainment activities. Licensees must have sandwiches and light snacks available for consumption on the licensed premises and have a separate registered manager who can purchase alcohol beverages for that licensed location only.
- *Optional premises license.* These licenses are issued to an outdoor sports and recreational facility that charges a fee for the use of the facility.
- *Public transportation system license.* These licenses are issued to operators of public transportation systems authorizing the sale of alcohol beverages that are served and consumed in or upon any dining, club, or parlor train car; plane; bus; or other conveyance of the public transportation system.
- *Racetrack license.* These licenses are issued to facilities that hold live horse races authorizing the sale of alcohol beverages to customers of the racetrack. Establishments that offer simulcast races with pari-mutuel wagering and that hold a different type of liquor license are not required to obtain a racetrack license. Racetrack licensees must also serve food.
- *Retail gaming tavern license.* These licenses are issued to establishments with a retail gaming license that sell alcohol beverages. Licensees must have sandwiches or light snacks available for consumption. Only one retail gaming tavern licensee may be located in a single building, and an individual may hold no more than three retail gaming tavern licenses.
- *Tavern license.* These licenses are issued to establishments where the principal business is the sale of alcohol for consumption on the licensed premises. Licensees must have sandwiches and light snacks available for consumption on the licensed premises during business hours. Licensees must have a separate registered manager for each license who can purchase alcohol beverages for that licensed location only.

***On and/or off-premises license - fermented malt beverage retailers.*** These licensees are authorized to sell 3.2 beer to consumers at retail. During the application process, applicants must specify whether they are applying for an on-premises, off-premises, or an on/off premises license.

**Table 4. Retail Licenses/Permits and Fees**

License or Permit Type	Number of Licenses and Permits	State Fee*	Local Fee*
<b>Off-Premises Retail</b>			
Retail Liquor Store	1,638	\$100	\$150(city) / \$150(county)
Liquor-licensed Drugstore	14		
Liquor-licensed Drugstore Manager	N/A (new in 2017)	\$100	Not set in statute
<b>On-Premises Retail</b>			
Art Gallery	126	\$50	\$25
Arts	56	\$75	\$275
Bed and Breakfast	48	\$50	\$25
Beer and Wine	696	\$75	\$325(city) / \$425(county) / \$375 (for resort hotel)
Club	171	\$75	\$275
Hotel and Restaurant	5,091	\$75	\$500
Optional Premises Permit	234	Not set in statute	Not set in statute
Resort-complex-related facility	16	\$75 per facility	\$100 per facility
Lodging and Entertainment Facility	10 (new in 2016)	\$75	\$500
Optional Premises License	73	\$75	\$500
Public Transportation System	28	\$75 per vehicle	Not set in statute
Racetrack	4	\$75	\$500
Retail Gaming Tavern	18	\$75	\$500
Tavern	1,453	\$75	\$500
<b>On and/or Off Premises Retail</b>			
Fermented Malt Beverage Retailer		\$75	\$25(city) / \$50(county)
On-premises retailer	51		
Off-premises retailer	1,460		
On/off premises retailer	69		

Source: Colorado Department of Revenue (as of November 9, 2016), Colorado Revised Statutes.

\*Note: This table includes only fees set in statute. Other fees are set administratively by the Department of Revenue or by the local licensing authority.

## Cross-Tier Licenses

Cross-tier licenses allow certain smaller entities to manufacture, distribute to retailers, and sell their products to customers under one license. Table 5 below shows the number of retail licenses in Colorado as of November 9, 2016, and the related state and local license fees.

***Brew pub license.*** These licenses are issued to establishments that manufacture no more than 1,860,000 gallons of 3.2 beer and full-strength beer each year and also sell alcohol beverages and food for consumption on the licensed premises. Beer manufactured by the licensee may be sold to customers for consumption on the licensed premises, independent wholesalers for distribution to licensed retailers, and to the public in sealed containers for off-premises consumption. Licensees may also sell up to 300,000 gallons of 3.2 beer and full-strength beer that it manufactures directly to licensed retailers annually. At least 15 percent of the licensee's gross on-premises food and drink income must be from the sale of food.

***Distillery pub license.*** These licenses are issued to establishments that ferment and distill no more than 45,000 liters of spirits each year and sell alcohol beverages and food for consumption on the licensed premises. Spirits manufactured by the licensee may be sold to customers for consumption on the licensed premises, independent wholesalers for distribution to licensed retailers, and the public in sealed containers for off-premises consumption. Licensees may also sell up to 2,700 liters of spirits that it manufactures directly to licensed retailers annually. At least 15 percent of the licensee's gross on-premises food and drink income must be from the sale of food.

***Limited winery license.*** These are issued to Colorado wineries authorizing them to produce no more than 100,000 gallons of wine annually. Licensed limited wineries may conduct tastings and sell the wine they manufacture, along with wine manufactured by other Colorado wineries, directly to customers on the licensed premises of the winery and at up to five other approved sales room locations. Licensees may also sell the wine they manufacture at wholesale. Licensees are allowed to serve and sell food, general merchandise, and nonalcoholic beverages. Licensees must follow strict wine bottle labeling requirements concerning the origin of grapes used.

***Vintner's restaurant license.*** These licenses are issued to establishments that manufacture no more than 250,000 gallons of wine on their licensed premises each year and sell alcohol beverages and food for consumption on the licensed premises. Wine manufactured by the licensee may be sold to customers for consumption on the licensed premises, independent wholesalers for distribution to licensed retailers, and the public in sealed containers for off-premises consumption. Licensees may also sell up to 50,000 gallons of wine that it manufactures directly to licensed retailers annually. At least 15 percent of the licensee's gross on-premises food and drink income must be from the sale of food.



**Table 5. Cross-Tier Licenses and Fees**

License Type	Number of Licenses	State Fee*	Local Fee*
Brew Pub	138	\$325	\$500
Distillery Pub	2 (new in 2015)	\$325	\$500
Limited Winery	137	\$70	Not set in statute
Vintner's Restaurant	3	\$325	\$500

Source: Colorado Department of Revenue (as of November 9, 2016), Colorado Revised Statutes.

\*Note: This table includes only fees set in statute. Other fees are set administratively by the Department of Revenue or by the local licensing authority.

### Miscellaneous Licenses and Permits

The following licenses and permits are issued for certain events and functions related to the manufacturing, distribution, and sale of alcohol. Table 6 shows the number of permits in Colorado as of November 9, 2016, and the related state and local licensing fees.

**Alternating proprietor premises license.** These licenses are issued to a licensed 3.2 beer, full-strength beer, or wine manufacturer, limited winery, or brew pub authorizing another licensed non-spirits manufacturer to use a designated area on the alternating proprietor premises license holder's premises to manufacture and store 3.2 beer, full-strength beer, and wine.

**Special event permit.** Permits may be issued for special events held by certain types of organizations for the sale of 3.2 beer, full-strength beer, wine, and/or spirits during the event. Alcohol sales are permitted during specific hours. A special event permit may not be issued to any organization for more than 15 days per year.

**Wine packaging permit.** A wine packaging permit may be issued to a licensed winery, limited winery, or wholesaler allowing the permittee to package tax-paid wine manufactured by another winery or manufacturer. The permittee must take possession of the wine and return the packaged wine to the original manufacturer or the original manufacturer's wholesaler. Permitted wineries and limited wineries may not sell or distribute the tax-paid wine it packages to consumers or licensed retailers.

**Winery direct shipper's permit.** A winery direct shipper's permit authorizes permitted wineries in the U.S. to sell and deliver wine that is produced or bottled by the permittee directly to consumers located in Colorado for personal use. The permittee must follow specific packaging guidelines and requirements for delivery, including not selling or shipping wine to a minor, and the wine may not be resold.

**Wine festival permit.** A wine festival permit allows wine manufacturer's or limited winery licensees to hold up to nine wine festivals during a 12-month period.

**Table 6. Miscellaneous Permits and Fees**

Permit Type	Number of Permits	State Fee*	Local Fee*
Alternating Proprietor Premises	17	Not set in statute	Not set in statute
Special Event	Unknown	\$10/day (3.2 beer) \$25/day (full-strength beer, wine, spirits)	Not set in statute
Wine Packaging	1	\$200	Not set in statute
Winery Direct Shipper	1,437	Not set in statute	Not set in statute
Wine Festival	Unknown	\$25	Not set in statute

Source: Colorado Department of Revenue (as of November 9, 2016), Colorado Revised Statutes.

\*Note: This table includes only fees set in statute. Other fees are set administratively by the Department of Revenue or by the local licensing authority.

**General Licensing Provisions**

**Financial interests.** Persons with a financial interest in a licensed manufacturer or wholesaler may not have a financial interest in a licensed retailer and vice versa. Persons with a financial interest in a 3.2 or full-strength beer manufacturer may have a financial interest in a licensed wholesaler. Persons with a financial interest in a wine and spirits manufacturer may hold a wholesale license for the distribution of its own manufactured products. A person with a financial interest in a licensed wine and spirits manufacturer may not have a financial interest in a licensed wholesaler that sells products other than his or her own.

Licensees are generally allowed to hold an unlimited number of licenses within the same tier, with a few exceptions related to off-premises retail licenses. Prior to the passage of Senate Bill 16-197, retail liquor store and liquor-licensed drugstore licensees were only allowed to hold one license, thereby allowing them to operate only one location in the state. As of January 1, 2017, these licensees may begin obtaining additional retail liquor store or liquor-licensed drugstore licenses along the phase-in schedule in Table 7. Liquor-licensed drugstores are subject to certain requirements in order to obtain additional licenses.

**Table 7. Maximum Liquor Licenses Available to a Single Owner**

Dates	Maximum Liquor-Licensed Drugstores Licenses	Maximum Retail Liquor Store Licenses
January 1, 2017 – December 31, 2021	5	2
January 1, 2022 – December 31, 2026	8	3
January 1, 2027 – December 31, 2031	13	4
January 1, 2032 – December 31, 2036	20	
Beginning January 1, 2037	Unlimited	

**Alcohol purchases.** All licensees that sell alcohol beverages at retail are required to purchase all alcohol beverages from a licensed wholesaler. A licensee that sells alcohol for consumption on the licensed premises may purchase up to \$2,000 worth of alcohol beverages per year from retail liquor stores, liquor-licensed drugstores, or 3.2 beer retailers, but must retain evidence of these purchases.

**Sales rooms.** A sales room is an area in which a licensed winery, limited winery, distillery, or full-strength beer wholesaler sells and serves alcohol beverages for consumption on the licensed premises, sells alcohol beverages in sealed containers for consumption off the licensed premises, or both. The state licensing authority may deny an application for a proposed sales room if the local licensing authority determines that approval of the sales room would impact traffic, noise, or other neighborhood concerns in a manner that is inconsistent with local regulations or ordinances. Applicants for a sales room must also comply with local zoning restrictions.

**Tastings.** Tastings must be authorized by the local licensing authority, subject to local government ordinances. The alcohol used in a tasting must be purchased through a licensed wholesaler, brew pub, distillery pub, or winery, and the tasting must follow specific guidelines outlined in statute related to the size of each tasting, the hours of operation, and other requirements.

## Licensing Process

**State licensing authority.** The Department of Revenue's Liquor Enforcement Division (division) serves as the state licensing authority. The division may grant, suspend, or revoke a license or permit, hear complaints, enforce laws related to the regulation and sale of alcohol, approve responsible alcohol vendor training vendors, and make rules related to the regulation of alcohol, including compliance, enforcement, safety and health requirements, and guidelines for local licensing authorities.

**Local licensing authority.** A local licensing authority is a governing body of a city or county, or an authority designated by local charter, ordinance, or resolution. Local authorities process retail applications, and may suspend or revoke a license after a hearing.

**Retail licenses.** To obtain a license, retailers must first obtain approval from the local licensing authority. An application must be submitted on state-provided forms, including building or plot plans, and the applicant must complete a criminal background check. The local licensing authority must schedule a public hearing no less than 30 days after receiving the application and provide adequate notice no less than 10 days prior to the hearing. If the application is approved, the local authority must then notify the state licensing authority, which conducts an investigation and may either approve or deny the application.

**Supplier licenses.** Manufacturers, wholesalers, importers, and public transportation carrier licenses are issued by the state alone, and applicants apply directly to the state. The division conducts the criminal background check and determines whether to approve a license.

**Application considerations.** In processing an application, the state or local licensing authority must consider:

- facts and evidence;
- reasonable requirements of the neighborhood;
- desires of adult inhabitants of the neighborhood;
- the number, type, and availability of alcohol beverage outlets in the area;
- an initial background check of the individuals involved; and
- the effect on competition in certain cases.

Generally, new retail licenses cannot be approved within 500 feet of a school or university (subject to local regulations), or within 500 feet of a location for which the same license type has been denied based on the needs and desires of the community within the past two years. A new 3.2 beer retail license cannot be issued for a location for which the same license type has been denied based on the needs and desires of the community within the last year. A retail liquor store or tavern license may be denied if it would result in an undue concentration of license types and would require additional law enforcement.

**Off-premises retail radius restrictions.** New retail licenses that authorize the sale of alcohol in sealed containers for off-premises consumption, including retail liquor store or liquor-licensed drugstore licenses, may not be issued if the premises is located:

- within 1,500 feet of another off-premises retail license; or
- within 3,000 feet of another off-premises retail license if located within a municipality with a population of 10,000 or less.

**People prohibited as licensees.** Licenses may not be issued to any person or entity that is not of good moral character, anyone under 21 years of age, and certain peace officers and employees of the state licensing authority. Under state law, a felony by itself is not grounds for denial of an application.

**License renewals and reissued licenses.** All licenses and non-event related permits are valid for one year. The state must notify licensees 90 days prior to expiration of a license and a licensee must apply for renewal no less than 30 days before expiration. The state or local licensing authority, depending on the license type, may reissue a license to a licensee whose license has been expired for more than 90 days and fewer than 180 days. Reissued licenses cannot be issued to a licensee more than three times in a five-year period. A licensee applying for a reissued license must pay late fees and may continue operating until the application is approved or denied.

**Transfer of ownership.** A licensee may submit a transfer of ownership application to the state and local licensing authorities to transfer the license to another individual. Local authorities may issue a temporary permit while the transfer application is pending.

**Master file.** Entities with multiple licensed locations can request the creation of a master file with the state licensing authority that contains the entity's licensing and background check information. An entity with a master file does not have to submit fingerprints and background check forms each time the entity applies for a new license. Currently, an entity must have at least five licenses or applications pending in order to request a master file.

## Liquor Taxes and Fees

**Licensing fees.** Liquor licensing fees are established in statute and are shown in Tables 1 through 6 above. The first \$50 of each state fee is deposited in the Liquor Enforcement Division Cash Fund for the administration of the regulatory program, while the remainder is deposited in the General Fund. Of the local licensing fees, 85 percent goes to the state to be deposited in the Old Age Pension Fund. The remainder stays with the local licensing authority.

**Application fees.** In addition to the licensing fees, state and local licensing authorities may also charge application fees for new licenses. State application fees are deposited in the Liquor Enforcement Division Cash Fund. Currently, the state application fee for a new license is \$920. Local application fees vary between jurisdictions and generally cannot exceed \$1,000 for a new license. In addition, the cost of a background check is currently \$37.50.

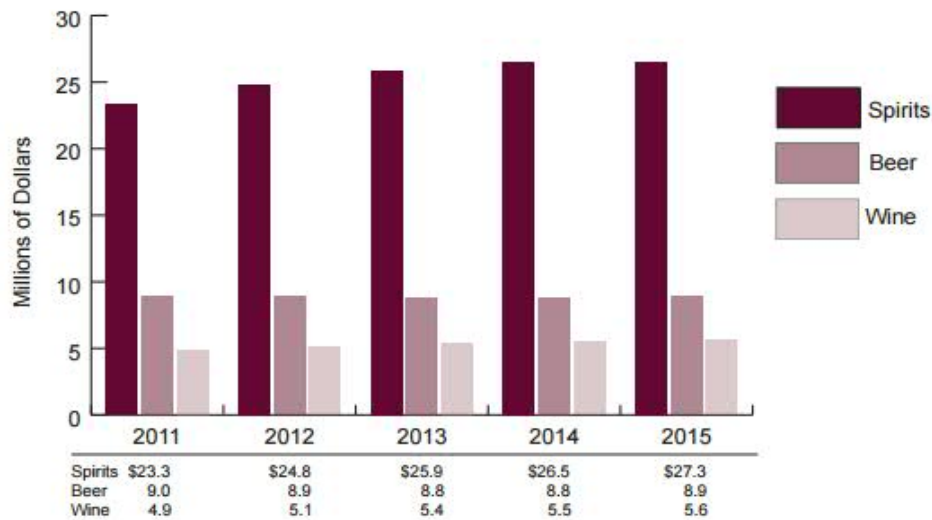
**Excise taxes.** Excise taxes are charged to manufacturers or the first licensee to receive alcohol from out-of-state, based on the amount of alcohol produced. Excise tax revenue is deposited in the General Fund, via the Old Age Pension Fund, except for the additional excise tax on wine, which is deposited in the Colorado Wine Industry Development Cash Fund. Table 8 lists the excise taxes charged, and Figure 1 shows the total liquor excise tax revenue collected from 2011 through 2015. Liquor excise revenue totaled \$41.8 million in 2015.

In addition, a wine development fee of \$0.01 per liter of wine offered for sale and an additional excise tax of \$10 per ton of grapes used for wine manufacturing is charged to wine manufacturer's, limited wineries, and vintner's restaurant licensees. This fee revenue is transferred from the General Fund to the Colorado Wine Industry Development Cash Fund, which is used to conduct research and promote the Colorado wine industry.

**Table 8. Excise Taxes**

Tax	Beverage Type
\$0.08 per gallon	Beer and Hard Cider
\$0.0733 per liter, <i>plus an additional:</i> \$0.05 per liter for first 9,000 liters \$0.03 per liter for next 36,000 liters \$0.01 per liter for any additional liters	Wine
\$.6026 per liter	Spirits

**Figure 1. Liquor Excise Tax Revenues, 2011 to 2015**



Source: Colorado Department of Revenue

## Enforcement

The Department of Revenue’s Liquor Enforcement Division, local licensing authorities, and local law enforcement are responsible for enforcing the Beer and Liquor Codes.

**License suspension.** State and local licensing authorities can suspend or revoke any license or permit. A suspension cannot last more than six months and a licensee may petition to pay a fine in lieu of a suspension. Licensing authorities may conduct inspections, require information from licensees, administer oaths, and issue subpoenas. State inspectors have the same powers as peace officers, including the authority to arrest and issue summons.

**Unlawful acts.** It is unlawful for a licensee to violate the terms of his or her license or for someone to manufacture, import, sell, or distribute alcohol without a license. State law also prohibits selling, serving, providing, or delivering alcohol to a person who is under 21 years of age or visibly intoxicated.

Retail liquor stores, liquor-licensed drugstores, lodging and entertainment facilities, and taverns may not allow anyone under the age of 21 to sell alcohol. While other licensed retailers may not permit anyone under the age of 18 to sell alcohol, they may allow those between the ages of 18 and 20 to sell alcohol if supervised by someone over 21.

In addition, it is unlawful for licensed retailers to sell alcohol at any time other than the times specified by their license type. Licensed retailers must also display required signs, such as ones listing certain unlawful acts. Section 12-47-901, C.R.S. includes a list of additional unlawful acts related to the purchase and consumption of alcohol.

**Penalties.** In general, a person who violates the provisions in the Beer and Liquor Codes is guilty of a class 2 petty offense and must pay a fine of up to \$250 per offense. Certain acts, such as selling to a visibly intoxicated person or selling or manufacturing without the required license, can result in a class 2 misdemeanor, and acts such as selling, serving, or providing

alcohol to someone under 21 can result in a class 1 misdemeanor. Depending on the circumstances and the violation, additional charges through the Criminal Code could result.

## Recent Legislation

The Colorado General Assembly passed several bills during the 2016 session that impacted Colorado liquor licensing laws.

**Senate Bill 16-197.** This bill significantly changes the licensing of off-premises retail liquor sales. Among other changes, the bill:

- establishes new radius requirements for any new retail liquor store, liquor-licensed drugstore, or other off-premises retail license, as discussed above;
- phases in additional retail liquor store licenses for a single owner, beginning January 1, 2017;
- removes the distinction between 3.2 beer and full-strength beer beginning January 1, 2019;
- allows a liquor-licensed drugstore licensee to obtain additional licenses by purchasing at least two retail liquor licenses and applying to convert them to a new liquor-licensed drugstore license, subject to the new radius requirements; and
- sets additional requirements for liquor-licensed drugstores and allows retail liquor stores to sell additional food and non-alcohol products.

**House Bill 16-1439.** This bill creates the new lodging and entertainment license for entities that provide lodging, sports, or entertainment activities as their primary business and, incidental to that business, sell and serve alcohol beverages for consumption on the premises. Current tavern licensees that qualify for a lodging and entertainment license may apply to convert their license when it is up for renewal, or no later than August 10, 2017.

**Senate Bill 16-143.** This bill phases in a reduction of wholesaler and manufacturing fees for distilleries and rectifiers to match the wholesaler and manufacturing fees charged to breweries by August 10, 2017.

**House Bill 16-1176.** This bill allows licensed wine and spirits wholesalers to establish an employee purchase program that allows employees to purchase wine and spirits directly from the wholesaler.

**House Bill 16-1042.** This bill creates a liquor license exemption for state institutions of higher education that engage in manufacturing and tasting 3.2 and full-strength beer for teaching and research purposes. The manufactured beer cannot be sold and may only be tasted by qualified students, employees, or expert tasters over the age of 21.

## **Additional Resources**

***Federal liquor law.*** U.S. Code of Federal Regulations Title 28, Chapter I, Subchapter A.

***Colorado Department of Revenue liquor code regulations.*** Code of Colorado Regulations 1 CCR 203-2.

***Colorado Department of Revenue list of licensees.*** “All State Liquor Licenses” link at:  
<https://www.colorado.gov/pacific/enforcement/liquor-licenses>.