

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2679 – SB 3552

March 6, 2012

SUMMARY OF AMENDMENT (013697): Creates the “farm wine permit.” This permit would allow an individual who owns a commercial farm to take produce to a licensed winery to manufacture, bottle, and label wine under the name of the farm. Requires the winery to pay the state gallonage tax and any applicable federal beverage taxes. The bottled wine may be sold at retail locations and offered at complimentary tastings on the winery premises. Requires a farm owner who attempts to manufacture wine in such manner to pay a one-time nonrefundable fee of \$300 and an annual \$150 permit fee to the Alcoholic Beverage Commission (ABC). Amendment (013697) changes “commercial farming operation” to “farming operation.”

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$51,400/FY12-13/ABC Fund
Exceeds \$33,000/FY13-14 and Subsequent Years/ABC Fund

Increase State Expenditures - \$200/FY12-13/ABC Fund

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions applied to amendment:

- According to ABC, it will need \$200 to develop the licensing form for this new permit.
- It is estimated that there will be 90 permits authorized upon inception of this permit and 15 annual permits authorized the second and subsequent years.
- The first year will result in an increase in state revenue of \$40,500 [90 x (\$300 + \$150)] from permit fees.
- In the second and subsequent years, the recurring increase in state revenue from permit fees will be \$20,250 {[15 x (\$300 + \$150)] + (90 x \$150)}.
- Pursuant to Tenn. Code Ann. § 57-3-302(a), the sale or distribution of wine is taxed at a rate of \$1.21 per gallon.
- The average number of gallons for which the wine tax will be levied is estimated to be 100 per permit per year.
- The first year will result in an increase in state revenue of \$10,890 (90 permits x 100 gallons x \$1.21) from wine tax.

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- In the second and subsequent years, the recurring increase in state revenue from wine tax will be \$12,705 [(15 permits x 100 gallons x \$1.21) + (90 permits x 100 gallons x \$1.21)].
- The total increase in state revenue to the ABC Fund for FY12-13 is estimated to be \$51,390 (\$40,500 + \$10,890).
- The total recurring increase in state revenue to the ABC Fund for FY13-14 and subsequent years is estimated to exceed \$32,955 (\$20,250 + \$12,705).
- Any increase in state and local sales tax revenue is estimated to be not significant because retail sales of wine applicable to this bill will occur in lieu of retail sales of other wine products.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/jdb