

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 853 - SB 1030

March 12, 2011

SUMMARY OF BILL: Authorizes licensed direct shippers to ship wine to addresses located in jurisdictions that have not approved the sale of alcoholic beverages by local option referendum.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – \$1,770,200
Increase State Expenditures – Not Significant

Increase Local Revenue – \$430,700
Increase Local Expenditures – Not Significant

Assumptions:

- According to the Alcoholic Beverage Commission (ABC), there will not be an increase to the number of licensed direct shippers.
- According to the ABC, approximately 35 percent of municipalities have authorized the sale of alcoholic beverages.
- Four types of taxes will be impacted by this bill. The excise tax on wine, the state sales tax, local sales tax, and the enforcement tax on the sale of alcoholic beverages.
- Wine sales are subject to a \$1.21 per gallon excise tax. According to the Department of Revenue, excise tax collections from the sale of wine were approximately \$10,800,000 in FY09-10.
- According to the Department of Revenue (DOR), there were approximately 8,925,619 gallons of wine sold in 2010.
- According to the Department of Revenue, enforcement tax collections from the sale of wine were approximately \$486,533 in FY09-10.
- According to the 2009 Wine Handbook, the average price of wine per gallon is \$38.60 resulting in approximately \$344,528,893 (8,925,619 gallons sold x \$38.60) total revenue from the sale of wine in the state.
- The current sales tax rate is seven percent and the average local option sales tax rate is estimated to be 2.5 percent.
- Based on information provided by the Department of Revenue there was approximately \$24,117,023 (\$344,528,893 x 7%) state sales tax revenue and \$8,613,222 (\$344,528,893 x 2.5%) local sales tax revenue in 2010.

- According to the Department of Revenue, wine sales are estimated to increase by approximately five percent as a result of this bill.
- The increase in excise tax revenue for FY11-12 is estimated to be approximately \$540,000 ($\$10,800,000 \times 5\%$).
- The increase in sales tax revenue for FY11-12 is estimated to be approximately \$1,205,851 ($\$24,117,023 \times 5\%$).
- The increase in enforcement tax revenue for FY11-12 is estimated to be approximately \$24,342 ($\$486,533 \times 5\%$).
- The increase in local sales tax revenue for FY11-12 is estimated to be approximately \$430,661 ($\$8,613,222 \times 5\%$).
- State and local governments currently collect taxes owed as a result of sales made under the direct shipper license. There will not be a significant increase to state or local expenditures to collected additional tax revenue.

CERTIFICATION:

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



James W. White, Executive Director

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