

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2636 - SB 3120

March 15, 2012

SUMMARY OF BILL: Authorizes any member of the armed forces of the United States (U.S.) or a member of a reserve or Tennessee National Guard unit, who has been stationed outside the U.S., or any Tennessee resident who has been residing outside the U.S. due to employment to ship any wine purchased while residing outside the U.S. to this state. The individual must apply for a one-time license from the Alcoholic Beverage Commission (ABC) and pay a one-time non-refundable fee of \$100 plus any appropriate taxes. Requires ABC to create a form for issuing the license. Prohibits resale of any wine shipped to Tennessee pursuant to this section.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue - \$140,400/FY12-13/ABC Fund
\$31,100/FY13-14 and Subsequent Years/ABC Fund**

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

Assumptions:

- ABC will incur a one-time increase in state expenditures of \$200 to develop and print the licensing form.
- According to the Tennessee Department of Military, there are currently 914 military individuals which are stationed outside the U.S., which have been deployed from a Tennessee military base.
- It is estimated that 10 percent, or 91 individuals, will apply to ship wine into the state.
- According to the Association of Americans Resident Overseas, there are currently approximately 6,320,000 Americans living abroad. It is estimated that 10 percent of them, or 632,000, reside abroad due to employment. It is further estimated, based on Tennessee and U.S. population ratios, that 2 percent, or 12,640, of such individuals are Tennessee residents.
- It is estimated that 10 percent, or 1,264 individuals, will apply to ship wine into the state.
- The total number of individuals that will apply to ship wine into Tennessee is estimated to be 1,355 (91 + 1,264). The one-time fee to ship wine into the state is \$100. This will result in a one-time increase in state revenue of \$135,500 (1,355 x \$100).

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- It is estimated, beginning in the second year, 300 applicants will apply for the license annually, resulting in a recurring increase in state revenue of \$30,000 (300 x \$100) in FY13-14 and subsequent years.
- Currently, the ABC levies a tax of \$1.21 on every gallon of wine sold or distributed.
- It is estimated that each Tennessee resident applying for the license will ship an average of 3 gallons of wine per year.
- The first year, such overseas resident will ship 4,065 gallons (1,355 x 3 gallons) of wine into the state, resulting in an increase in state tax revenue of \$4,919 (\$1.21 x 4,065).
- In the second and subsequent years, the state will experience an increase in state revenue of \$1,089 (\$1.21 x 3 gallons x 300 individuals).
- Since any wine shipped to Tennessee pursuant to this section is prohibited from being resold, state and local sales taxes will not be levied.
- There could be an increase in state and local use tax revenue levied on wine shipped into Tennessee. Any such increase is estimated to be not significant.

CERTIFICATION:

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



Lucian D. Geise, Executive Director

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