

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**CORRECTED  
FISCAL NOTE**

**HB 2679 - SB 3552**

June 15, 2012

**SUMMARY OF BILL:** 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 that a farm owner who attempts to manufacture wine in such manner pay a one-time nonrefundable fee of \$300 and an annual \$150 permit fee to the Alcoholic Beverage Commission (ABC).

**ESTIMATED FISCAL IMPACT:**

On February 13, 2012, a fiscal note was issued estimating a fiscal impact as follows:

*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*

*Due to an incorrect assumption regarding the allocation of wine tax revenue, this impact was in error. Based upon additional information the estimated impact is:*

**(CORRECTED)**

**Increase State Revenue - \$9,000/FY12-13/General Fund  
\$40,500/FY12-13/ABC Fund  
\$10,500/FY13-14 and Subsequent Years/General Fund  
\$20,300/FY13-14 and Subsequent Years/ABC Fund**

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

**Increase Local Revenue - \$1,900/FY12-13  
\$2,200/FY13-14 and Subsequent Years**

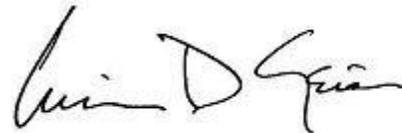
**HB 2679 - SB 3552 (CORRECTED)**

Assumptions:

- 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 from permit fees of \$40,500 [90 x (\$300 + \$150)]; such revenue will be deposited into the ABC Fund.
- 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)}; such revenue will be deposited into the ABC Fund.
- 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.
- Pursuant to Tenn. Code Ann. § 57-3-306 (b), the wine tax is appropriated 82.5 percent to the state's general fund and 17.5 percent to local governments.
- The average number of gallons for which the wine tax will be levied is estimated to be 100 gallons per permit per year.
- The first year will result in an increase in wine tax revenue of \$10,890 (90 permits x 100 gallons x \$1.21) from wine tax.
- The first-year increase to the state's general fund is estimated to be \$8,984 (\$10,890 x 82.5%); the first-year increase in local revenue is estimated to be \$1,906 (\$10,890 x 17.5%).
- In the second and subsequent years, the recurring increase in wine tax revenue will be \$12,705 [(15 permits x 100 gallons x \$1.21) + (90 permits x 100 gallons x \$1.21)].
- The recurring increase in state revenue to the general fund beginning in FY13-14 is estimated to be \$10,482 (\$12,705 x 82.5%); the recurring increase in local revenue beginning in FY13-14 is estimated to be \$2,223 (\$12,705 x 17.5%).
- 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