



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 189

PRINTERS NO. 181

PRIME SPONSOR: Sonney

REVENUE INCREASE / (DECREASE)

FUND	FY 2014/15	FY 2015/16
State Stores Fund	\$0	(\$11,250,000)
General Fund	\$0	(\$2,500,000)

SUMMARY: House Bill 189, printer's number 181, amends the act of April 12, 1951 (P.L. 90, No. 21), as reenacted and amended, known as The Liquor Code, to further provide for definitions, for general powers of the Pennsylvania Liquor Control Board (PLCB), for sales by Pennsylvania liquor stores, for shipment of wine into the Commonwealth and for limited wineries. The effective date is 60 days after enactment.

ANALYSIS: The bill amends The Liquor Code as follows:

- Modifies the definition of "eligible entity" in Section 102 of the Liquor Code to include a nonprofit organization whose purpose is to allocate funds for research to expedite a cure for achromatopsia so that this organization will be eligible to obtain special occasion permits authorized in Section 408.4. Special occasion liquor permits may be used for a period of not more than six nonconsecutive or ten consecutive days per year.
- Sections 207 and 305(a) are amended to prevent the PLCB from charging a 30% mark-up on special liquor orders placed by licensees. Special liquor orders are placed when the PLCB does not carry a particular wine or spirits product. The bill would remove the 30% mark-up and provide for a maximum mark-up of 10%.
- Section 488 is amended to allow any entity licensed by another state as a producer of wine, or licensed by the PLCB under Section 505.2 as a limited winery, to ship any quantity and type of wine directly to a resident of the Commonwealth so long as the entity obtains a direct wine shipper license from the PLCB. The direct wine shipper license may be obtained by filing an application with the PLCB, paying a \$100 registration fee, providing a copy of the applicant's current alcoholic beverage license, and evidence of a Pennsylvania sales tax license, and any other information deemed appropriate by the PLCB. The direct wine shipper license shall be annually renewed with a renewal fee to be established by the PLCB.

The wine shipper must require proof of age of the recipient before shipping. All boxes of wine being shipped must also be conspicuously labeled as containing alcohol and require the signature of a person 21 years of age or older for delivery. Direct wine shippers are required to collect the 18% liquor tax, 6% sales tax, and any local sales taxes imposed in counties of the second class or cities of the first class on all wine shipments for remittance to the Department of Revenue on a quarterly basis.

Based on the number of current Pennsylvania limited winery licensees and the number of out-of-state wineries that have obtained the current version of the direct shipper license, it is estimated that a minimum of 300 wineries would obtain the new direct wine shipper license.

FISCAL IMPACT: The enactment of this legislation will decrease revenue to the State Stores Fund from the reduction in the mark-up allowed on special liquor orders. The PLCB projects that the reduction in the mark-up from 30% to 10% could reduce revenue by approximately \$16,500,000 annually based on the \$67,000,000 in special liquor orders in 2013-14. Of the \$16,500,000, approximately \$13,500,000 is "mark-up" revenue retained by the State Stores Fund and \$3,000,000 is liquor and sales tax revenue. Costs shown in the table on page one assumes that the reduction in mark-up will not occur until the beginning of September 2015.

The issuance of direct wine shipper licenses will nominally increase revenue to the State Stores Fund, but that revenue will be used to offset PLCB costs of administering the direct shipper license program. Increases in sales and liquor taxes will be realized to the extent that Pennsylvania residents engage in the purchase of wine from out-of-state wine producers or Pennsylvania limited wineries that would previously not have occurred.

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House Appropriations Committee (R)

DATE: May 11, 2015

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.