



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 1033

PRINTERS NO. 1702

PRIME SPONSOR: Ellis

### COST / (SAVINGS)

FUND	FY 2016/17	FY 2017/18
General Fund	\$0	See fiscal impact
State Stores Fund	\$0	See fiscal impact

**SUMMARY:** House Bill 1033, printer's number 1702, amends the act of April 12, 1951 (P.L. 90, No. 21), as reenacted and amended, known as The Liquor Code, to provide for wine or spirits enhanced permits for distributors and importing distributors.

Effective 60 days after enactment.

**ANALYSIS:** The bill amends the Liquor Code by adding a section to provide for the issuance of wine or spirits enhanced permits by the Pennsylvania Liquor Control Board (PLCB) to persons holding and possessing valid distributor or importing distributor licenses. The initial application fee for a wine or spirits enhanced permit shall be \$5,000 for each type of enhanced permit. Annual renewal fees for wine or spirits enhanced permits shall be equal to two percent (2%) of the costs of wine purchased from the PLCB and/or two percent (2%) of spirits purchased from the PLCB. All wine or spirit enhanced permit fees and renewal fees shall be paid to the PLCB for deposit in the General Fund. Wine or spirit enhanced permit holders selling wine and/or spirits shall be considered a Pennsylvania Liquor Store for purposes of collecting and remitting taxes under Article II of the Tax Reform Code of 1971 (6% State sales tax).

Wine or spirits enhanced permit holders may sell unlimited quantities of wine or spirits from eight o'clock antemeridian to eleven o'clock postmeridian. Transaction scan devices must be used to verify the age of an individual who appears to be under 35 years of age before a sale of wine or spirits can be made.

**FISCAL IMPACT:** Enactment of this legislation is estimated to generate an additional \$6 million in license fees in fiscal year 2017-18 assuming 600 (approximately 50%) of the current distributors and importing distributors obtain both a wine and spirit enhanced permit. As required by the legislation, the license fees shall be deposited in the General Fund. Additional tax revenues deposited into the General Fund are estimated to be \$5.9 million in 2017-18. The PLCB gross margin is estimated to be \$30.9 million less in 2017-18 assuming 32% of the wine and spirit sales in the Commonwealth are now sold through the new permit holders. The additional tax revenue and loss of PLCB gross margin assume 6 months of sales from the new retail permit holders in

2017-18. Finally, it is assumed that the PLCB will modify its current retail footprint by reducing operating costs accordingly to mitigate the loss of its gross margin as additional retail outlets begin selling wine and spirits in the Commonwealth.

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**DATE:** May 22, 2017

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