

# **SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE**

**BILL NO.** House Bill 189

**PRINTER NO.** 1851

**AMOUNT**

(\$4,030,000)  
(\$2,569,479)

**FUND**

State Stores Fund  
General Fund

**DATE INTRODUCED**

January 23, 2015

**PRIME SPONSOR**

Representative Sonney

**DESCRIPTION AND PURPOSE OF BILL**

Senate Bill 189 amends Liquor Code (Title 47) to provide for the direct shipment of wine, reduce the markup on special liquor orders and establish the Pennsylvania Wine Marketing Program and Research Board.

Direct Wine Shipment

Allows a producer of wine licensed by the Pennsylvania Liquor Control Board (PLCB), another state, or country that obtains a direct wine shipper license to ship up to 36 cases of up to nine (9) liters per case in a calendar year to a resident of the Commonwealth who is at least 21 years of age for personal use and not for resale. Requires an applicant for a direct wine shipper license to pay a \$100 annual registration fee, provide a copy of the applicant's current license, provide evidence of having obtained a sales tax license and provide the board with any information it deems necessary. Requires a direct wine shipper each year to report the total wine shipped, permit the Secretary of Revenue to perform an audit of the shipper's records upon request, be deemed to have submitted to the jurisdiction of the board for the purposes of enforcement and require proof of age and label boxes with the words "contains alcohol: signature of person 21 years of age or older required for delivery." Requires a direct wine shipper to pay the Department of Revenue all taxes due on sales to residents of the Commonwealth in the amount calculated as if the sales were made in the Commonwealth and be subject to sales and use tax and a wine excise tax of \$1 per gallon. Provides that a person who resells wine obtained under this section commits a misdemeanor of the second degree and is required to pay a fine of four (\$4) per fluid ounce for each container of wine found on the premises where the sale was made or attempted.

# SENATE APPROPRIATIONS COMMITTEE

## FISCAL NOTE

### Pennsylvania Wine Marketing and Research Program Board

Adds four members to the Pennsylvania Wine Marketing and Research Program Board with appointments from the President Pro Tempore of the Senate, Minority Leader of the Senate, Speaker of the House of Representatives and the Minority Leader in the House of Representatives. Provides for the Wine Marketing and Research Program Board to establish a competitive grant program for the purpose of increasing the production of Pennsylvania-made wines and enhancing the Pennsylvanian-wine industry through promotion, marketing and research-based programs and projects. Provides for \$250,000 collected from the \$1 per gallon wine excess tax to annually be transferred from the General Fund to a restricted account for the appropriation to the Wine Marketing and Research Program Board on a continuing basis for the purpose of awarding grants.

### Special Liquor Orders

Specifies that the board's current markup (30%), does not apply to special liquor orders and provides for a 10% markup for these orders. Provides that the licensee discount (10%) is not applicable to special liquor orders. Provides for a licensed importer or vendor to place special liquor orders on behalf of a customer and deliver the orders directly to the customer after payment for the order has been forwarded to the board and the board has authorized delivery. Provides that the board may not charge a handling fee on orders delivered directly to the customer. Provides the board may refuse to process a special liquor order if it appears similar to an item on its product list or it believes the demand is such that it should be made available.

### **FISCAL IMPACT:**

The provisions contained in House Bill 189 related to special liquor orders will result in decreased revenue to both State Stores Fund and the General Fund because of the reduction in markup and handling fees collected from these orders. It is assumed that upon enactment, 50% of all special liquor orders will be delivered directly to the customer resulting in an \$8,100,000 loss to the State Stores Fund because the board will collect less revenue related to the reduction of the markup and handling fees. It is further assumed the PLCB will realize \$4,000,000 in administrative savings as a result of the direct delivery of special liquor orders. It is estimated that these provisions will result in a loss of profit to the State Stores Fund of \$4,100,000 (net) and a loss of liquor and sales tax revenue to the General Fund of \$3,500,000.

The provisions contained in the legislation related to the direct shipment of wine will result in increased revenue to the State Stores Fund and the General Fund. Based on the number of direct wine shippers operating in Maryland one year after the enactment of similar direct wine shipment legislation, it is assumed that 700 producers would purchase the direct shipper license. The fees (\$70,000) generated from the new license would be deposited in the State Stores Fund.

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## **FISCAL NOTE**

Based on the assumption that direct wine shipment will lead to a 2% increase in retail sales of wine otherwise unavailable to consumers, the direct wine shipment provisions will generate approximately \$1,293,813 in additional revenue annually. This includes \$417,284 in excise taxes and \$763,237 in state sales taxes to be deposited in the General Fund and \$43,292 in local sales taxes.

The provisions requiring an annual appropriation for the Pennsylvania Wine Marketing and Research Program Board will cost the Commonwealth \$250,000 annually.