

Fiscal Estimate - 2019 Session

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

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| LRB Number 19-5495/2 | Introduction Number AB-0869 | |
| Description creating a private event venue permit issued by the Department of Revenue; the issuance by the Department of Revenue of retail alcohol beverage permits for motor vehicle racetrack grounds and for the state fair park; authorizing caterers to make retail sales of alcohol beverages on racetrack grounds; closing hours for certain alcohol beverage retailers and wineries and hours for retail sales by brewers; and providing a penalty | | |
| Fiscal Effect State: <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations </div> <div style="width: 30%;"> <input checked="" type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues </div> <div style="width: 30%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <div style="display: flex; justify-content: space-around;"> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No </div> <input type="checkbox"/> Decrease Costs </div> </div> Local: <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate <div style="display: flex;"> <div style="width: 45%;"> 1. <input checked="" type="checkbox"/> Increase Costs <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> <div style="width: 45%;"> 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> </div> </div> <div style="width: 65%;"> 5. Types of Local Government Units Affected <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input checked="" type="checkbox"/> Towns <input type="checkbox"/> Counties <input type="checkbox"/> School Districts </div> <div style="width: 30%;"> <input checked="" type="checkbox"/> Village <input type="checkbox"/> Others <input type="checkbox"/> WTCS Districts </div> <div style="width: 30%;"> <input checked="" type="checkbox"/> Cities </div> </div> </div> </div> | | |
| <div style="display: flex; justify-content: space-between;"> <div style="width: 50%;"> Fund Sources Affected <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS </div> <div style="width: 45%;"> Affected Ch. 20 Appropriations 20.566(1) </div> </div> | | |
| Agency/Prepared By DOR/ Momodou Bah (608) 266-8133 | Authorized Signature Robert Schmidt (608) 266-5773 | Date 2/12/2020 |

Fiscal Estimate Narratives

DOR 2/12/2020

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| LRB Number | 19-5495/2 | Introduction Number | AB-0869 | Estimate Type | Original |
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Assumptions Used in Arriving at Fiscal Estimate

This bill creates a private event venue permit issued by the Department of Revenue and generally prohibits the rental or lease of property for private events at which fermented malt beverages (beer) or intoxicating liquor, which includes wine and distilled spirits, is consumed without this permit. This bill also authorizes DOR to issue retail alcohol beverage permits for motor vehicle racetrack grounds and for the state fair park. This bill authorizes caterers to make retail sales of alcohol beverages on racetrack grounds. The bill further establishes hours during which brewers may not make retail sales of alcohol beverages and makes changes relating to the retail sales hours of wineries. This bill also creates an exception allowing municipalities to authorize extended closing hours for alcohol beverage retailers, wineries, and brewers during the time that the 2020 Democratic National Convention is held in Milwaukee (from July 13 to July 17, 2020).

PRIVATE EVENT VENUE PERMITS

In August 2018, there were approximately 250 event barn venues in Wisconsin, 150 of which were members of the Wisconsin Agricultural Tourism Association (WATA). The total revenues from private event venue permits will depend on the number of permits issued. This provision is not expected to significantly increase general fund alcohol tax collections. For illustrative purposes, 250 permits issued with an annual fee of \$750 would generate \$187,500 in program revenue.

NEW RETAIL PERMITS ISSUED BY DOR

The department estimates that the bill will result to a very modest increase in liquor permit revenues and no net impact on state excise tax collections.

RETAIL SALES BY CATERERS OFF LICENSED PREMISES

The provision is not expected to increase general fund alcohol tax collections.

EXTENDED CLOSING HOURS DURING 2020 DEMOCRATIC NATIONAL CONVENTION

Extended closing hours for alcohol beverage retailers, wineries, and brewers during the time that the 2020 Democratic National Convention is held in Milwaukee would effectively create an additional day of sales for the bars. Sales and excise tax collections may increase to the extent the sales of alcohol increases compared to current law. The impact of the extended hours will depend on the number and size of municipalities that allow the extended hours and the number of size of businesses that opt to remain open. The following is an illustrative example for Milwaukee County drinking establishments.

Milwaukee County's July 2019 county sales tax collections for drinking places (NAICS 722410) totaled \$73,735. At the 0.5% county sales tax rate, this suggests taxable sales of \$14.75 million over the month, an average of \$476,000 per day. Assuming the convention results in one "additional average July day" of alcohol sales the impacts are as follows:

\$23,800 in sales tax for the state and
\$2,380 in county sales tax for Milwaukee County

The July 2019 excise tax revenues statewide for beer, liquor, wine and cider was \$830,000, \$5.35 million, \$350,00, and \$7,000 respectively. The July daily average excise tax revenue statewide is therefore \$211,000. If Milwaukee County contributed the same share of the revenue as its drinking age population (21 years and older, 680,908) is to the state's drinking age population (21 years and older, 4,322,872), the excise tax revenues attributed to Milwaukee is 16% of the total which is about \$34,000.

When the DNC was held in Philadelphia in 2016, revenue from the city's liquor-by-the-drink tax increased 35 percent in August (which reflects spending that would have taken place during the convention in July). Assuming Milwaukee observes the same increase in sales during the DNC, excise tax revenue will increase to about \$46,000 ($\$34,000 \times 1.35\%$).

There may be some permissive increase in local government costs to cover additional law enforcement activities resulting from the extending hours at establishments serving alcohol.

ADMINISTRATIVE COSTS

The bill would require changes to the department's tax processing system, development of forms and applications for new permit types, and new procedures for processing these permits. Additional staffing is needed to handle the additional permit work, review, and processing of permit applications. The bill will create need for enforcement of additional regulations, and to update guidance documents.

The department estimates onetime administrative costs of \$67,720 for the audit bureau.

Ongoing administrative expenses for one excise audit revenue agent (1 FTE) in the audit bureau related to administration and compliance is estimated at \$62,860.

These costs cannot be absorbed within the agency's budget.

Long-Range Fiscal Implications