

Fiscal Estimate Narratives

DOR 2/19/2008

LRB Number	07-3740/4	Introduction Number	AB-0795	Estimate Type	Original
Description The production, sale, and distribution of intoxicating liquor, providing an exemption from emergency rule procedures, granting rule-making authority, making an appropriation, and providing a penalty					

Assumptions Used in Arriving at Fiscal Estimate

The bill makes several modifications to Wisconsin's laws regarding the marketing of wine. The bill includes the following provisions:

Direct shipments of wine. Under current law, a winery located in a state that has a reciprocal agreement with Wisconsin may ship wine to individuals in Wisconsin. Also, a winery located in this state may ship wine to individuals in another state that has a reciprocal agreement with Wisconsin. This bill repeals the current reciprocal agreement system and replaces it with a new permit system applying to both interstate and intrastate wine shipments. Under the bill, direct wine shipper's permits will be issued to wineries located in both Wisconsin and other states. A direct wine shipper's permit authorizes the permittee to ship wine directly to an individual in this state, provided that other conditions are met – including collecting Wisconsin's sales and excise taxes. The bill requires the holders of direct wine shipper permits to report information quarterly to DOR and increases, from 27 to 108 liters, the amount of wine that an individual can receive through direct wine purchases on an annual basis.

Wine distribution. Under the bill, wine producers may not sell wine directly to retailers. Each wholesaler, however, is required to negotiate in good faith with any wine producer that seeks to sell its products through the wholesaler.

Cooperative wholesalers. The bill allows certain small wineries that produce less than 25,000 gallons of wine annually to form a small winery cooperative wholesaler for purposes of selling and distributing their wine. Under the bill, no more than six cooperatives can be formed and the cooperatives must be formed between October 1, 2008 and December 31, 2008. The cooperatives may include both in-state and out-state wineries and must include the owner of at least one Wisconsin winery. Cooperative wholesalers could sell wine to retailers or other wholesalers under the bill.

Other provisions. The bill authorizes wholesalers to sell intoxicating liquor to wineries, manufacturers, and rectifiers for production purposes. The bill also allows an out-of-state shipper to sell or ship liquor directly to a Wisconsin winery. The definition of "wine" is clarified by specifying that wine contains not more than 21 percent of alcohol by volume. The holder of a retail liquor license or permit, with limited exceptions, is authorized to make only face-to-face sales to consumers at the premises described in the license or permit.

Effective date. The general effective date of the bill is October 1, 2008. However, a winery holding a winery permit issued prior to the bill's effective date may continue to sell its wine at wholesale, in the manner authorized under current law, until June 30, 2009.

Fiscal Estimate

The bill may increase the amount of wine directly shipped to consumers in Wisconsin. The degree to which this increase is offset by reductions in purchases of wine at Wisconsin retail establishments is unknown. The bill may also increase the number of retail locations in Wisconsin at which the wine of small wineries is available for purchase. The degree that any increase in sales of this wine is offset by reductions in sales of other wine or other taxable purchases is also unknown. In addition, the number of locations that the wine of any particular winery will be sold in Wisconsin may either increase or decrease depending on the winery's marketing decisions. Consequently, the bill's net impact on sales and excise tax collections cannot be determined but is not expected to be significant.

The bill provides the Department of Revenue with 1.0 FTE position and \$7,700 of additional expenditure authority in FY09. The department anticipates, however, that its costs to administer the bill will be \$52,400 in FY09 and \$96,800 on an annualized basis. The department's costs include computer programming changes, return processing, and maintenance of required reports.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description The production, sale, and distribution of intoxicating liquor, providing an exemption from emergency rule procedures, granting rule-making authority, making an appropriation, and providing a penalty			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): FY09 partial year administration costs \$52,400.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$59,700		\$
(FTE Position Changes)			
State Operations - Other Costs	37,100		
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$96,800		\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS	96,800		
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS	110,000		
SEG/SEG-S			
TOTAL State Revenues	\$110,000		\$
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$96,800		\$
NET CHANGE IN REVENUE	\$110,000		\$
Agency/Prepared By		Authorized Signature	
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		Date	
		2/19/2008	