

## Fiscal Estimate - 2023 Session

Original                     
  Updated                     
  Corrected                     
  Supplemental

<b>LRB Number</b> <b>23-1141/2</b>		<b>Introduction Number</b> <b>SB-0332</b>	
<b>Description</b> creating the Division of Alcohol Beverages attached to the Department of Revenue; the regulation of alcohol beverages and enforcement of alcohol beverage laws; interest restrictions relating to, and authorized activities of, brewers, brewpubs, wineries, manufacturers, rectifiers, wholesalers, and retailers; shipping alcohol beverages by means of fulfillment houses and common carriers; the consumption of alcohol beverages in a public place; creating a no-sale event venue permit; creating an operator's permit; liquor licenses transferred from one municipality to another; retailers' authorized activities; liquor license quotas; the safe ride program; the presence of underage persons and conduct of other business on licensed premises; the occupational tax on alcohol beverages; repealing a rule promulgated by the Department of Revenue; granting rule-making authority; and providing a penalty			
<b>Fiscal Effect</b>			
<b>State:</b>			
<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	<input checked="" type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Decrease Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs	
<b>Local:</b>			
<input checked="" type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	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	<b>5. Types of Local Government Units Affected</b> <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
<b>Fund Sources Affected</b>		<b>Affected Ch. 20 Appropriations</b>	
<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			
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Momodou Bah (608) 266-8133		Robert Schmidt (608) 266-5773	6/22/2023

## Fiscal Estimate Narratives

DOR 6/22/2023

LRB Number	23-1141/2	Introduction Number	SB-0332	Estimate Type	Original
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### Assumptions Used in Arriving at Fiscal Estimate

This bill creates the Division of Alcohol Beverages attached to the Department of Revenue; the regulation of alcohol beverages and enforcement of alcohol beverage laws; interest restrictions relating to, and authorized activities of, brewers, brewpubs, wineries, manufacturers, rectifiers, wholesalers, and retailers; shipping alcohol beverages by means of fulfillment houses and common carriers; the consumption of alcohol beverages in a public place; creating a no-sale event venue permit; creating an operator's permit; liquor licenses transferred from one municipality to another; retailers' authorized activities; liquor license quotas; the safe ride program; the presence of underage persons and conduct of other business on licensed premises; the occupational tax on alcohol beverages; repealing a rule promulgated by the Department of Revenue; granting rule-making authority; and providing a penalty.

The fiscal effect for provisions expected to affect permit and tax revenues are included below. Other provisions may result in clarification of regulations and enforcement without having a substantial impact on tax and permit revenues.

### FISCAL EFFECT

The bill changes the definition of "fermented malt beverages".

Sugar based hard seltzers (truly, white claw, etc.) are currently taxed as wine but some are taxed as beer, this bill provides for these products to be taxed as fermented malt beverages (beer) to conform to the federal definition.

According to Statista (a company specializing in market and consumer data) the US sales volume of hard seltzers in 2021 was estimated to be about 499 million liters and was projected at 631 million liters by 2026. This represents a 5% annual growth rate. Using these sales volumes, the 2021 US population estimates from the US Census bureau, and the US per capita alcohol consumption in 2022 from the World Population review the department can estimate Wisconsin hard seltzer sales volumes of about 3.0 million gallons or 11.7 million liters in 2023.

The differential between taxing hard seltzers as wine (\$0.06605 per liter) or taxing such products as fermented malt beverage (\$0.0645 per gallon) is approximately \$574,600 in 2023.

Assuming a growth rate of 5% per year, the tax differential would grow to \$605,000 in FY24 and \$637,000 in FY25. The foregone revenue would be lower to the extent the filers currently remit taxes at the lower rate.

The bill establishes a \$500 fee for permits issued by the division if no fee is currently charged for the permit. However, the annual permit fee for a common carrier is \$1,000 and that of a fulfillment house is \$100.

The department current issues 9 permit types that will meet the \$500 permit fee provision and has issued about 4,177 of these. The department estimates that 5 entities will meet the \$1,000 fee common carrier provision, and 25 entities will meet the \$100 fee fulfillment house provision. The permit fee revenue for year 1 of this proposal is therefore estimated at \$2,096,000, i.e. (4,177x500) plus (5x1,000) plus (25x100). This annual figure may be prorated depending on when the bill is enacted. Permit revenue may differ to the extent

the number of registrants is higher/lower than the department's estimate.

The department estimates that there would be additional but indeterminate increase in permit fee revenues from operator permits.

In addition to the new permit fees, the department also collects the liquor admin fee which was \$2,226,000 in FY22 and collections from its current permit fees is about \$937,000.

#### ADMINISTRATIVE COSTS

The department estimates first year administrative costs for the Income Sales and Excise Tax Division (IS&E) of \$2,558,000 for revenue agents, excise tax agents, supervisors, and managers and \$1,889,000 for the Division of Technology Service (DTS) for updating the state's tax processing system. Estimated one-time and first-year costs total \$4,447,000. This annual figure may be prorated depending on when the bill is enacted.

Ongoing administrative expenses for staff and related supplies, services, equipment, and office space for IS&E is estimated at \$3,630,000 and \$1,000,000 for DTS for IT systems development.

The department estimates the need for the 25 total positions in the following roles: 7 excise tax agents-Sen, 3 excise tax agents, 7 revenue agents, 2 excise tax agent supervisors, 3 revenue admin managers, 1 exec staff assistant, 1 paralegal and 1 INDEF AG APPT-20.923 (4) ESG 3 for the new unit.

The department cannot absorb the administrative costs with existing resources.

#### **Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  \$4,400,000		
<b>II. Annualized Costs:</b>	<b>Annualized Fiscal Impact on funds from:</b>	
	Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$4,600,000	\$
(FTE Position Changes)	(25.0 FTE)	
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$4,600,000</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR	4,600,000	
FED		
PRO/PRS		
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$4,600,000	\$
NET CHANGE IN REVENUE	\$see text	\$

Agency/Prepared By	Authorized Signature	Date
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