



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2015 Biennium

<b>Bill #</b>	HB0402
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<b>Title:</b>	License and regulate wineries selling and shipping wine directly to MT consumers
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<b>Primary Sponsor:</b>	Hunter, Chuck
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<b>Status:</b>	As Amended
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|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns              |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts           | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
Other (Enterprise)	\$16,700	\$16,700	\$16,700	\$16,700
<b>Revenue:</b>				
General Fund (Transfer In)	(\$7,900)	\$16,700	\$16,700	\$16,700
Other (Enterprise)	\$16,700	\$16,700	\$16,700	\$16,700
<b>Net Impact-General Fund Balance:</b>	<u>(\$7,900)</u>	<u>\$16,700</u>	<u>\$16,700</u>	<u>\$16,700</u>

**Description of fiscal impact:** HB 402 creates a direct shipment endorsement for wineries licensed or registered in Montana. This allows the winery to sell and ship up to 18 9-liter cases of wine annually to an individual for personal use. This bill also eliminates the wine and the combined beer and wine connoisseur's license.

### FISCAL ANALYSIS

**Assumptions:**

1. Under current law, an individual is required to apply for a connoisseur's license in order to receive direct shipments of wine or beer. The application fee is \$50 for a wine connoisseur's license and \$50 for a beer connoisseur's license, or \$100 for both. The annual renewal fee for a connoisseur's license is \$25 for wine only or beer only, and \$50 for the combined beer and wine license. With a connoisseur's license, direct shipments are currently limited to out-of-state breweries/wineries.
2. HB 402 proposes to eliminate the wine connoisseur's license and the combined beer and wine connoisseur's license (the beer only connoisseur's license remains in statute). There are currently 186 wine connoisseur

licenses and 8 combination beer and wine licenses that will no longer pay the annual renewal fee. There would be a loss of revenue of \$5,050.

3. HB 402 creates a direct shipment endorsement for wineries licensed or registered in Montana. The direct shipment endorsement would apply to both in-state and out-of-state wineries, and would allow wineries to sell up to 18 9-liter cases of wine annually to individuals over the age of 21 for personal use. The annual fee is \$50 per winery.
4. Based on market size, the endorsement fee, and current law, Iowa has a comparable program in place for direct shipments of wine. In FY 2012, Iowa had 594 licensed wineries that were shipping directly to consumers. In the same fiscal year, the ratio of wine sales in Montana to wine sales in Iowa was 0.73. Therefore, the DOR estimates that 435 wineries will apply for the direct shipment endorsement. This will generate \$21,750 (435 x \$50) in annual revenue.
5. A winery with a direct shipping endorsement will be responsible for sending the tax (27 cents per liter of wine) to the DOR. Under current law, the individual is responsible for paying the tax. Transferring the responsibility of licensure and the tax requirement to the winery rather than the individual will also result in increased excise taxes. However, the change in excise taxes is expected to be minimal and is therefore not estimated.
6. Total additional revenue is estimated to be \$16,700 per year (\$21,750 direct shipment endorsement annual fee less \$5,050 current wine connoisseur license renewal fees).
7. Costs related to HB 402 are expected to total \$24,600 for FY 2014. This includes modifications to the computer system, adding a direct shipment endorsement attributed to both foreign and domestic winery accounts, modifying existing forms and letters for both foreign and domestic winery accounts, verifying payment processing and revenue accounting, and system implementation costs.
8. Because all taxes and the net proceeds from the liquor enterprise fund are deposited in the general fund, there will be a decrease in general fund revenue of \$7,900 for FY 2014 and an increase in revenue of \$16,700 for each fiscal year thereafter.

	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Operating Expenses	\$24,600	\$0	\$0	\$0
Transfers (to GF)	(\$7,900)	\$16,700	\$16,700	\$16,700
<b>TOTAL Expenditures</b>	<u>\$16,700</u>	<u>\$16,700</u>	<u>\$16,700</u>	<u>\$16,700</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
Other (Enterprise)	\$16,700	\$16,700	\$16,700	\$16,700
<b>TOTAL Funding of Exp.</b>	<u>\$16,700</u>	<u>\$16,700</u>	<u>\$16,700</u>	<u>\$16,700</u>
<b><u>Revenues:</u></b>				
General Fund (01 Transfer In)	(\$7,900)	\$16,700	\$16,700	\$16,700
Other (Enterprise)	\$16,700	\$16,700	\$16,700	\$16,700
<b>TOTAL Revenues</b>	<u>\$8,800</u>	<u>\$33,400</u>	<u>\$33,400</u>	<u>\$33,400</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$7,900)	\$16,700	\$16,700	\$16,700
Other (Enterprise)	\$0	\$0	\$0	\$0

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*