

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6262
BILL NUMBER: SB 113

NOTE PREPARED: May 5, 2015
BILL AMENDED: Apr 9, 2015

SUBJECT: Direct Wine Sales.

FIRST AUTHOR: Sen. Boots
FIRST SPONSOR: Rep. Dermody

BILL STATUS: Enrolled

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill contains the following provisions:

Direct Wine Seller's Permits: It removes certain requirements for the issuance of a direct wine seller's permit concerning filing of surety bonds or depositing cash in escrow.

Direct Wine Sales: It removes requirements that before a direct wine seller may sell wine to a consumer: (1) the consumer must provide information in one face-to-face transaction at the seller's place of business; or (2) under certain circumstances, the consumer must provide a verified statement that the consumer is at least 21 years of age, and the seller must provide the name and address of the consumer to the Alcohol and Tobacco Commission.

The bill allows a direct wine seller to sell and ship wine directly to a consumer if the consumer provides: (1) the consumer's name; (2) a valid delivery address and telephone number; and (3) proof of age by a state government issued or federal government issued identification card showing the consumer to be at least 21 years of age.

Direct Wine Seller's Permit Fee: It amends the direct wine seller's annual permit fee.

Limit on Direct Wine Shipments: It increases the total amount of wine a direct wine seller may direct ship in Indiana during a permit year from not more than 27,000 liters to not more than 45,000 liters.

Residency Requirements for Liquor Wholesalers: The bill removes provisions establishing residency requirements for liquor wholesalers. It also removes the requirement that a partnership, in order to hold a

liquor wholesaler permit, must consist of members who each satisfy the individual applicant requirements for a liquor wholesaler permit.

Wine and Hard Cider Excise Taxes: It clarifies that the wine excise tax and the hard cider excise tax must be paid by the holder of a direct wine seller's permit on applicable alcoholic beverages.

Effective Date: July 1, 2015.

Explanation of State Expenditures: *Alcohol and Tobacco Commission (ATC):* The bill could increase the ATC's administrative costs if the ATC is required to amend forms or computer software to implement the changes in requirements for direct wine seller's permits and liquor wholesaler's permits. The ATC may also be required to make changes in its enforcement of provisions regarding direct wine sales. The bill's requirements are within the ATC's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary staffing and resource levels.

Explanation of State Revenues: *Summary -*

Direct Wine Sales: The bill removes the requirement that a consumer must provide information in an initial face-to-face transaction before purchasing wine from a direct wine seller. (The information must be provided, but a face-to-face transaction is not required.) Because this provision increases the convenience of purchasing wine, it could potentially increase total wine sales. To the extent that wine sales increase, revenue from the Alcoholic Beverage Tax on wine and the state Sales Tax could increase.

Tax revenue could also increase if transactions allowed by the bill facilitate data collection that would enable the Department of State Revenue to better enforce excise and sales taxes due on wine sold by direct wine sellers. Any increase in audit revenue due to this provision is currently indeterminable.

(Revised) *Direct Wine Seller's Permit Fee:* The bill increases the direct wine seller's annual permit fee based on the expected volume of direct shipments or the volume of direct shipments from the previous year. This provision could increase revenue from these permit fees by an indeterminable amount. Revenue is deposited in the General Fund (66%) and the Enforcement and Administration Fund (34%).

Limit on Direct Wine Shipments: Under current law, direct wine sellers may not direct ship in Indiana more than 27,000 liters of wine. The bill increases the limit to 45,000 liters per year. Information regarding the volume of direct wine shipments in Indiana is currently unavailable, and the extent to which direct shipments will increase is indeterminable. However, if this provision increases total wine sales in Indiana, revenue from the Alcoholic Beverage Tax on wine and Sales Tax could increase. Any increase in revenue would depend on the extent to which direct wine sales replace in-person retail sales and the extent to which an increase in direct wine sales causes consumers to spend less on other goods subject to Sales Tax.

Residency Requirements for Liquor Wholesalers: The bill removes residency requirements for liquor wholesaler's permits, which could make it easier for a business to qualify for and receive a permit. To the extent that the ATC issues additional liquor wholesaler's permits, revenue from permit fees could increase. The annual permit fee is \$2,000, which is distributed to the state General Fund (66%) and the Enforcement and Administration Fund (34%).

Additional Information -

(Revised) *Direct Wine Seller's Permit Fee*: The following table shows the proposed annual fee for a direct wine seller's permit. (Under current law, the fee for all direct wine sellers is \$100.)

Fee	Anticipated/Previous Year Direct Shipments
\$100	≤ 9,000 liters
\$200	≤ 18,000 liters
\$300	≤ 27,000 liters
\$400	≤ 36,000 liters
\$500	≤ 45,000 liters

Limit on Direct Wine Shipments: The \$0.47 per gallon tax on wine is deposited in the following funds: state General Fund (\$0.20), Post War Construction Fund (\$0.16), Wine Grape Market Development Fund (\$0.05), Enforcement and Administration Fund (\$0.04), and Addiction Services Fund (\$0.02). Fifty percent of the General Fund distribution is allocated to cities and towns based on population.

Sales Tax revenue is distributed to the state General Fund (98.848%), the Motor Vehicle Highway Account (1%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures:

Explanation of Local Revenues: Local revenues could be impacted to the extent that local units receive distributions from Alcoholic Beverage Tax or Sales Tax revenue. However, any increase is likely to be small.

State Agencies Affected: Alcohol and Tobacco Commission.

Local Agencies Affected:

Information Sources:

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