

Department of Planning and Budget 2018 Fiscal Impact Statement

1. **Bill Number:** SB884E

House of Origin ☐ Introduced ☐ Substitute ☒ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** McDougle

3. **Committee:** Senate Committee on Rehabilitation and Social Services

4. **Title:** Alcoholic beverage control licenses and fees

5. **Summary:** The bill increases the following ABC application fees and licenses:

License/Fee	Current	Proposed
Retail license application fee (including annual banquet and annual mixed beverage banquet)	\$65	\$195
Banquet special event and mixed beverage special event license application fee	\$15	\$45
Wine shipper's license	\$95	\$230
Beer shipper's license	\$95	\$230
Wine & Beer shipper's license	\$95	\$230

The bill also establishes that it is a Class 1 misdemeanor for (i) any person to sell wine to retailers or consumers without paying the wine excise tax or (ii) any retailer to purchase, receive, transport, store, or sell any wine on which such retailer has reason to know such tax has not been paid and may not be paid.

Finally, the bill also provides for a civil penalty for (a) each manufacturer or wholesaler who fails to make any return and pay the full amount of the wine excise tax or (b) each manufacturer or wholesaler who makes a false or fraudulent return, where willful intent exists to defraud the Commonwealth of any excise tax due on each liter of wine. Current law provides for these criminal and civil penalties with regard to failure to pay the excise tax imposed on beer and wine coolers but not for failure to pay the excise tax on wine.

6. **Budget Amendment Necessary:** No

7. **Fiscal Impact Estimates:** Preliminary (see Item 8)

8. **Fiscal Implications:** The proposed legislation increases select ABC license and application fees. According to the Department of Alcoholic Beverage Control (ABC), the license and fee

increases are expected to generate an additional \$839,752 in revenue in FY 2019. The following table shows the additional revenue by category:

License/Fee	Additional Revenue in FY 2019
License application fee (including annual banquet and annual mixed beverage banquet)	\$310,708
Banquet special event and mixed beverage special event license application fee	\$344,299
Wine and Beer shipper's license	\$184,745
Total Estimated Additional Revenue	\$839,752

The license application fee is a one-time fee that is only payable when a new licensee applies for their first license with ABC. According to the Department of Alcoholic Beverage Control (ABC), increasing the license application fee from \$65 to \$195 is expected to generate approximately \$310,708 in additional revenue in FY2019, which includes revenue from several one-day special event licenses. In FY 2017, there were 2,308 license applications and ABC assumes an annual 2 percent growth rate in new license applications.

Another provision of the proposed bill increases the banquet special event and mixed beverage special event license fee from \$15 to \$45. In FY 2017, there were 8,077 banquet special event and mixed beverage special event license applications and 1,496 hybrid licenses. Hybrid license is a type of license application where the applicant applies and pays for two licenses at one time. Assuming the number of licensees remain near FY 2017 levels, ABC anticipates that the banquet special event and mixed beverage special event license application fee will generate an estimated \$344,299 in additional revenue in FY 2019.

Additionally, the bill also increases the license fees for beer and wine shippers from \$95 to \$230. In FY 2017, ABC issued 1,322 beer and wine shipper licenses. Assuming the number of licenses increases at an annual growth rate of 1 percent, ABC anticipates increasing the beer and wine shipper's license fee will generate an estimated \$184,745 in additional revenue in FY2019.

According to ABC, the additional revenue generated from this legislation would allow the agency to hire seven civilian licensing technicians and two sworn agents to assist with the growing workload demand of the ABC Enforcement Division.

9. Specific Agency or Political Subdivisions Affected: ABC

10. Technical Amendment Necessary: No

11. Other Comments: None