

## Department of Planning and Budget

### 2007 Fiscal Impact Statement

**1. Bill Number** SB1062

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

**2. Patron**        Watkins

**3. Committee**    Rehabilitation & Social Services

**4. Title**            Alcoholic beverage control; nonresident winery distributor

**5. Summary/Purpose:** Creates a new nonresident winery distributor license that authorizes the licensee to sell and deliver the wine produced by the licensee, in accordance with Alcoholic Beverage Control (ABC) Board regulations, in closed containers, to (i) persons licensed to sell the wine at retail for the purpose of resale, § 4.1-326 notwithstanding, (ii) the Board, and (iii) persons in Virginia to whom alcoholic beverages may be lawfully sold. The bill provides that, for purposes of § 4.1-234 and Chapter 6 (§ 58.1-600 et seq.) of Title 58.1, each delivery of wine by such licensee to a consumer or a retail licensee shall constitute a sale in Virginia. Licensees are required to collect the taxes due to the Commonwealth and remit any excise taxes monthly to the Board and any sales tax to the Department of Taxation. The bill defines “nonresident winery” as any winery located outside the Commonwealth and licensed as such in the state where the winery is located and whose total wine distribution to all Virginia licensees does not exceed 3,000 cases in any calendar year. The bill also grants these same privileges to certain winery and farm winery licensees. The bill also requires the ABC Board to do quarterly audits and inspect all licensees with the privilege of self-distribution to ensure they meet the requirements for the license. The bill sets the state license tax for this new license and requires the ABC Board to adopt emergency regulations to implement the provisions of the bill.

**6. Fiscal Impact Estimates are: PRELIMINARY**

**6a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2007-08	\$350,000	5	NGF
2008-09	\$350,000	5	NGF
2009-10	\$350,000	5	NGF
2010-11	\$350,000	5	NGF
2011-12	\$350,000	5	NGF
2012-13	\$350,000	5	NGF

**6b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2007-08	\$2.8 million	0	NGF
2008-09	\$2.8 million	0	NGF
2009-10	\$2.8 million	0	NGF

2010-11	\$2.8 million	0	NGF
2011-12	\$2.8 million	0	NGF
2012-13	\$2.8 million	0	NGF

**7. Budget amendment necessary:** Yes, Item 379.

**8. Fiscal implications:** According to the Department of Alcoholic Beverage Control (ABC), this would have a significant impact on agency operations. Currently there are 3,498 wineries in 13 reciprocal states that could potentially apply for this new license (\$2,000). Based on ABC's research, it is assumed that 40 percent of those wineries would apply for such a license, amounting to 1,400 new licenses for the agency and \$2.8 million dollars in additional revenue per year (\$2,000 x 1,400). ABC would need additional staff for this increased work load.

According to ABC, in order to effectively accommodate the increased workload, which includes licensure, compliance/auditing, monthly tax collection, maintenance, label approvals etc., a total of 5 new positions would be required in the Enforcement Division. The new positions would cost approximately \$350,000 and would include one License Support Technician, two Senior Special Agents, and two Tax Examiners.

**9. Specific agency or political subdivisions affected:** Department of Alcoholic Beverage Control

**10. Technical amendment necessary:** No.

**11. Other comments:** None.

**Date:** 01/31/07 / ltc

**Document:** DPB C:\2007FIS\posted\sb1062.doc

cc: Secretary of Public Safety