LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 667** HLS 16RS 1170
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action: **w/ SEN COMM AMD**
Proposed Amd.:
Sub. Bill For.:

Date: May 18, 2016 6:43 PM **Author:** REYNOLDS
Dept./Agy.: Revenue
Subject: Changes out of state direct shipper requirements for wine **Analyst:** Deborah Vivien

ALCOHOLIC BEVERAGES RE1 +$150,000 SG RV See Note
Provides relative to distribution of alcoholic beverages

Current law allows wine producers or retailers to sell product directly to consumers in the state under limited circumstances. Those conducting direct sales to consumers in the state must register with Alcohol and Tobacco Control (ATC) at no cost and pay an annual application fee to the Department of Revenue (LDR) of $150 for all producers and $1,500 for out-of-state (OOS) retailers ($0 for in-state retailers). Producers under contract with a wholesaler may not sell any brands by direct sale. Taxes and a statement detailing sales volume and prices are due quarterly. The point of sale is the domicile of manufacturers or retailers and delivery to the consumer in LA occurs upon placement with a common carrier. Class A, B and Special Events are authorized for sampling. Violations are subject to a civil penalty up to $25,000 with the civil action initiated by the Secretary. Proposed law retains current law but requires OOS producers and OOS retailers to obtain a permit annually for direct sales. The permit fee for direct sales for OOS producers is $250 and for retailers $1,500. The $150 LDR application fee for in-state producers is eliminated. Producers under contract with wholesalers may sell brands by direct sale that are not in the contract. Violations are subject to product seizure. The Commissioner is authorized to bring civil action. The point of sale and establishment of delivery is to be determined by rule established by the Commissioner. Taxes and statements are required to be remitted monthly instead of quarterly for OOS producers or retailers selling directly to consumers in LA. Class C permits are authorized for sampling.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$150,000	$150,000	$150,000	$150,000	$150,000	**$750,000**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$150,000**	**$150,000**	**$150,000**	**$150,000**	**$150,000**	**$750,000**

EXPENDITURE EXPLANATION

Since out-of-state direct sale manufacturers/producers and retailers must already register with ATC and LDR, changing registration into an application and subjecting them to an annual permit fee is expected to follow closely with current practice. Initial costs for form changes and possible system adjustments may be required but are expected to be absorbed in the current budget, possibly supplanting or delaying other agency activities. Time constraints have prevented a thorough vetting of potential implementation costs.

REVENUE EXPLANATION

Fees for direct sales are changed by the bill as follows (OOS = out-of-state; IS = in-state):

	Current Law	HB 667
OOS Producer	$150	$400
OOS Retailer	$1,500	$3,000
IS Producer	$150	$0
IS Retailer	$0	$0

Most of the impact will be the result of OOS Producers paying an additional $250 annually with about 600 currently registered. If all choose to continue with direct sales in the state, fee revenue will increase by about $155,000. However, to the extent that IS manufacturers/producers will no longer pay $150 annually for direct sales to consumers in the state, fee revenue will decrease. OOS retailers and in state producers are not expected to engage in direct sales in a significant volume since they currently do not do so.

To the extent that producers might now sell additional brands by direct sale if not under contract with a wholesaler, state tax revenue may increase by an indeterminant amount, but alternative brand options may simply shift consumption among brands. Local manufacturers/producers no longer required to pay the $150 fee annually to LDR will still be obligated to collect and remit state taxes. Monthly instead of quarterly remittances have no impact on a fiscal year basis.

Senate Dual Referral Rules House

☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}

☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}

☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}

☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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