

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 494** HLS 22RS 821

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 1, 2022	9:50 AM	Author: ROMERO
Dept./Agy.: Alcohol and Tobacco Control		Analyst: Deborah Vivien
Subject: Expands the brewery permit to locations and other sales		

ALCOHOLIC BEVERAGES

EG +\$79,000 GF EX See Note

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Provides relative to brewery operations

Current law authorizes a manufacturers permit to all brewers shipping to licensed wholesalers in the state. Those brewers operating a brewing facility in the state can sell its products to the public at that one facility for on or off premises consumption but not for resale. The maximum amount sold to the public shall not exceed the greater of 250 barrels or 10% of the total amount of product brewed monthly. All state and local sales and excise taxes must be remitted to the proper collecting authority. Proposed law expands the definition of a manufacturer to include more than one in-state location of the brewing facility and authorizes an in-state brewer to sell its product at wholesale to licensed retailers and special events (not for resale). The maximum amount sold is the greater of 250 barrels or 10% of production per location. Current law mandates that brewers enter into a distribution agreement with a wholesaler as a condition of the permit. Proposed law provides an exception for in-state brewers which allows a manufacturer permit without a distributor agreement. Effective August 1, 2022

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	\$79,000	\$29,000	\$28,140	\$19,408	\$11,530	\$167,078
Agy. Self-Gen.	\$39,000	\$46,800	\$56,160	\$67,392	\$80,870	\$290,222
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	\$118,000	\$75,800	\$84,300	\$86,800	\$92,400	\$457,300

REVENUES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$39,000	\$46,800	\$56,160	\$67,392	\$80,870	\$290,222
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

EXPENDITURE EXPLANATION

The bill will increase costs to the Office of Alcohol and Tobacco Control within the Department of Revenue to accommodate the expansion of the definition by presumably requiring a new permit to account for multiple in-state brewery locations and potentially a new hybrid wholesaler by allowing some manufacturers to also act as distributors.

Costs include amending the current permitting process and/or creating an entirely new component of the existing permit and application for the additional facilities and resident requirements. ATC indicates the need for an additional ATC agent (currently there are about 30 in-state manufacturers that could request a new permit plus additional locations) as well as the development of a new or associated permit and application. Costs are estimated at \$118,000 in the first year (FY 23), and \$75,800 in FY 24 increasing to \$92,400 in FY 27. Additional permit fees generated by the expanded permit and additional locations would become self-generated revenue to ATC (see revenue explanation) but is not expected to cover the cost of implementation if the new permit is a manufacturer's permit at \$1,000 per year. If the new permit is a wholesaler's permit, at \$2,500 per year, it is more likely to generate the funds to implement the program. This fiscal note assumes the intent of the legislation is that the fee is for a manufacturer's permit since that is the definition being expanded and that state general fund will be required as residual funding for implementation of the bill.

REVENUE EXPLANATION

ATC estimates that this bill would require expanding the permit to include wholesale responsibilities and multiple locations. If the permit is a manufacturer's permit and not a wholesaler permit, this expansion is estimated to generate maximum fees of \$39,000 in FY 23 up to \$80,900 in FY 27 as more brewers add locations and commence wholesale transactions.

For the calculation, ATC assumes each of the 30 in-state manufacturers will choose to obtain a new permit to become licensed to sell at wholesale, increasing permit fees by \$30,000. If 30% or 9 of current permit holders license a second manufacturer location in the state, fees would increase by an additional \$9,000 in the initial year. Permits are forecast to grow by 20% annually in subsequent years. Actual collections will depend on licensee behavior and the number of brewers with more than one brewery location and whether the fee is for a manufacturing permit (\$1,000 annually) or a wholesaler permit (\$2,500 annually).

Excise taxes would be collected at the wholesale level and sales tax at the retail level. The Office of Alcohol and Tobacco Control indicates that the markups mandated in R.S. 51:421(H) of 2% between brewers and distributors and an additional 6% between distributors and retailers would no longer be required under this legislation, which could indicate lower product prices compared to similar products that go through a distributor. However, the volume of sales could increase with access to wholesale transactions or additional brewery locations. The net impact to state and local taxes is indeterminate.

Senate
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 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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