LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 3912

STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JUNE 21, 2023

SUMMARY

Synopsis: Permits alternating proprietorship of certain wineries.

Type of Impact: Annual State revenue and expenditure increases.

Agencies Affected: Department of Law and Public Safety; Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	Annual
State Expenditure Increase	Indeterminate
State Revenue Increase	Indeterminate

- The Office of Legislative Services (OLS) finds that the bill will result in indeterminate increases in annual State revenues and expenditures. The OLS, however, cannot assess the magnitude of the increases given the absence of information on the potential revenue collected from the total number of plenary winery licenses issued annually, the future license fees, and sales tax on products sold. It is unknown if there will be additional revenues from penalty collections which would be offset by increased expenditures for regulation and enforcement of the new licenses and additional costs for the division's increased workload.

BILL DESCRIPTION

This bill facilitates alternating proprietorships for plenary and farm wineries. Under current law, the holder of a plenary winery license or a farm winery license is required to exercise exclusive control over a single place of business for its wine manufacturing processes.

This bill permits an applicant for or a holder of a plenary or farm winery license to apply to the Division of Alcoholic Beverage Control for approval to enter into an agreement with a host New Jersey winery to use the host's equipment and space in an alternating proprietorship for production of wine. The division is required to approve the agreement if it determines the Alcohol and Tobacco Tax and Trade Bureau has approved the proposed alternating proprietorship arrangement and that no applicable State alcohol licensing or taxation law, or related regulation or special ruling would be violated. The bill requires the division to approve or deny an application within 180 days, unless the applicant agrees to an extension.

Additionally, current law requires the holder of a plenary or farm winery license to produce wine using grapes or fruit grown on at least three acres on, or adjacent to, the winery premises. This bill provides that in the case of an applicant for a plenary or farm winery license who additionally is applying to the division to enter into an alternating proprietorship agreement, the applicant would be permitted to grow grapes or fruit used in the production of wine within a five-mile radius of the host winery premises.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that the bill will result in indeterminate increases in annual State revenues and expenditures. The OLS, however, cannot assess the magnitude of the increases given the absence of information on the potential revenue collected from the total number of plenary and farm winery licenses issued annually, the future license fees, and sales tax on products sold. It is unknown if there will be additional revenues from penalty collections which would be offset by increased expenditures for regulation and enforcement of the new licenses and additional costs for the division’s increased workload.

State Revenue Impacts: The bill will increase annual State revenue collections through the expansion of the use of an existing licensed plenary or farm winery, creating a secondary business which would also require a plenary winery license ($938) or farm winery license ($63 to $375). As any winery in New Jersey, or out-of-State, meeting these criteria could apply for the new license, OLS finds the number of potential applicants and thus the potential license revenue to be indeterminate.

It is unknown if there will be additional revenues from penalty collections which would be offset by expenditures for increased regulation and enforcement of the new licenses and the alternating proprietor agreement. Any additional revenues from penalty collections may offset the costs for the division’s increased enforcement workload. Additionally, the OLS anticipates that increased sales would increase the amount of State sales tax collected.

State Expenditure Impacts: The bill may increase the administrative workload of the Division of Alcoholic Beverage Control and the Alcohol and Tobacco Tax and Trade Bureau related to regulation and enforcement of the new licenses and alternating proprietor agreements. The OLS finds these potential costs to be indeterminate.

Section: *Law and Public Safety*

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).