

LEGISLATIVE FISCAL ESTIMATE

ASSEMBLY, No. 1943

STATE OF NEW JERSEY

219th LEGISLATURE

DATED: JANUARY 14, 2022

SUMMARY

Synopsis: Establishes license to allow wineries that produce more than 250,000 gallons per year to directly ship wine to consumers.

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	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Revenue Increase		Indeterminate	
State Expenditure Increase		Indeterminate	

- The OLS finds that the bill will result in indeterminate increases in annual State revenues and expenditures. The OLS, however, cannot assess the direction of the net effect of the increases given the absence of information on the potential revenue collected from the total number of 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 expenditures for increased regulation and enforcement of the new licenses and additional costs for the division’s increased workload.
- The bill authorizes the Division of Alcoholic Beverage Control, in the Department of Law and Public Safety, to create a direct wine shipping license. The annual fee for the license would be \$938. The bill may increase the division’s workload depending on the number of applications for direct wine shipping licenses that are submitted. Depending on the board’s resource allocation policies, the added workload may or may not augment State administrative expenditures.
- The bill requires the licensee to collect the customer tax on each sale and remit the tax to the Division of Taxation, in the Department of Treasury, pursuant to current New Jersey laws.

BILL DESCRIPTION

This bill allows New Jersey wineries and out-of-State wineries that annually produce more than 250,000 gallons to directly ship wine to consumers.

This bill establishes a license, with an annual fee of \$938, to allow the holder of a New Jersey winery license or an out-of-State winery that exceeds the 250,000 gallon capacity cap to directly ship up to 12 cases of wine annually to any person over the age of 21.

Under current law, small plenary wineries that produce 250,000 gallons or less per year and farm wineries are permitted to directly ship wine to New Jersey residents and consumers residing in other states. In addition, out-of-State wineries that annually produce 250,000 gallons or less may obtain a license to directly ship wine to New Jersey residents. Wineries that produce more than the 250,000 gallon capacity cap are currently prohibited from directly shipping wine.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

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State Revenue Impacts: The bill will increase annual State revenue collections through the sale of the newly established direct wine shipping license to permit wineries that annually produce more than 250,000 gallons to directly ship wine to consumers. As any winery in New Jersey, or out of State, meeting these criteria could apply for the new license, the 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. 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 thus increase the amount of State sales tax collected. The bill requires the licensee to collect the customer tax on each sale and remit the tax to the Division of Taxation, in the Department of Treasury pursuant to the "Sales and Use Tax Act," and pay the tax due on the delivery of alcoholic beverages pursuant to the Alcoholic Beverage Tax Law.

The Rutgers Eagleton Institute of Politics, Eagleton Center for Public Interest Polling (ECPIP) published a revenue estimate in April of 2017 on the impact of this legislation. The ECPIP estimated the implementation of this bill in 2017 would have resulted in an increase in revenue of 126 percent from the 2016 revenues, or an increase of over \$4 million. Additionally, the ECPIP noted that there would be minimal impact on the revenue of New Jersey wine and liquor stores

from the implementation of this bill. The Wine Institute cited there was an estimated 67,634 cases of wine shipped into New Jersey in 2015, and further indicated that if this bill were to be enacted that number would increase to over 220,000 cases of wine.

However, in 2012, the Maryland Comptroller issued a “Study on the Impact of Direct Wine Shipment” after the State had implemented the passage of similar legislation a year prior. The report indicated that the total gallons of wine sold in Maryland had only increased by .34 percent and both the alcohol tax revenue and sales and use tax revenues saw minor increases.

State Expenditure Impacts: The bill may increase the division’s workload significantly depending on the number of licenses issued for administration of the license and increased regulation and enforcement of the new licenses. The OLS finds these potential costs to be indeterminate.

Section: Law and Public Safety

*Analyst: Kristin Brunner Santos
Lead Fiscal Analyst*

*Approved: Thomas Koenig
Legislative Budget and Finance Officer*

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.).