

Department of Legislative Services
 Maryland General Assembly
 2015 Session

FISCAL AND POLICY NOTE

House Bill 827
 Ways and Means

(Delegate Hixson, *et al.*)

Budget and Taxation

Alcoholic Beverage Taxes - Wine Tax Revenue Distribution

This bill alters the distribution of alcoholic beverages tax revenue so that the revenue generated from the tax on wine produced at wineries licensed in the State must be distributed to the Maryland Wine and Grape Promotion Fund.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: General fund revenues decrease by \$161,600 and special fund revenues increase by an equivalent amount in FY 2016 as a result of distributing alcoholic beverages tax revenue generated from wineries licensed in the State to the Maryland Wine and Grape Promotion Fund. Future years assume a 2.5% increase in alcoholic beverages tax revenue. The Comptroller’s Office can distribute funds to the Maryland Wine and Grape Promotion Fund with existing resources.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GF Revenue	(\$161,600)	(\$165,600)	(\$169,800)	(\$174,000)	(\$178,400)
SF Revenue	\$161,600	\$165,600	\$169,800	\$174,000	\$178,400
Expenditure	0	0	0	0	0
Net Effect	\$0	\$0	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Overall minimal, but potentially meaningful for small businesses that deal with the production and consumption of Maryland wine and the production of grapes in the State that benefit from receiving Maryland Wine and Grape Promotion Fund grants.

Analysis

Current Law: The alcoholic beverages tax on wine is \$0.40 per gallon. Revenues from this tax are deposited into the general fund, after making a distribution to an administrative cost account for costs associated with administering the alcoholic beverages tax laws.

The Maryland Wine and Grape Promotion Fund is a special nonlapsing fund in the Maryland Department of Agriculture (MDA), used to provide grants to nongovernmental organizations and to conduct other activities for promotional purposes. The funding consists of money appropriated in the State budget and any other money accepted for the fund's benefit. The uses of the fund are limited to purposes related to the production and consumption of Maryland wine and the production of grapes in the State. MDA is authorized to deduct up to 2% of proceeds paid into the fund for administrative purposes. On recommendation from the Maryland Wine and Grape Promotion Council, the Board of Public Works must approve grant awards from the fund.

Background: There are currently two Class 3 winery licenses and 72 Class 4 limited winery licenses active in the State.

In fiscal 2014, the State received \$6.1 million from the alcoholic beverages tax on wine. According to the Comptroller's *Alcohol & Tobacco Tax Report for Fiscal 2014*, Maryland wineries sold 384,498 gallons of wine in fiscal 2014. Of this amount, 41.7% was sold to wholesalers, 42.1% was sold at a winery, 9.4% was sold to sales retailers, 1.1% was sold out of state, and 5.1% was sold as samples.

No funds have been allocated to the Maryland Wine and Grape Promotion Fund since fiscal 2008.

State Fiscal Effect: General fund revenues decrease by \$161,585 in fiscal 2016 and by \$178,360 by fiscal 2020; special fund revenues increase by equivalent amounts as a result of distributing alcoholic beverages tax revenue generated from wineries licensed in the State to the Maryland Wine and Grape Promotion Fund. The Comptroller's Office can distribute funds to the Maryland Wine and Grape Promotion Fund with existing resources.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Maryland Department of Agriculture,
Department of Legislative Services

Fiscal Note History: First Reader - March 9, 2015
md/lgc

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