

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 823 (2nd Edition)

SHORT TITLE: Promote NC Grape and Wine Industry

SPONSOR(S):

FISCAL IMPACT				
Yes (X)	No ()	No Estimate Available (X)		
<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
REVENUES				
General Fund		* See Assumptions and Methodology *		
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: ABC Commission.				
EFFECTIVE DATE: When it becomes law.				

BILL SUMMARY: Amends the state’s Alcoholic Beverage laws to allow issuance of a special wine tasting permit for wineries and retail establishments. This permit may be issued to any business with an existing off-premises unfortified wine permit. It also authorizes unfortified winery permit holders to (1) receive in closed containers, sell, and distribute unfortified wine produced outside of the state under the winery’s label during the winery’s first three years of operation or when it’s grapes have suffered substantial damage, (2) conduct wine tastings at the winery, (3) sell the winery’s wine for wine-tastings at three other locations in the state, and (4) obtain and use an unfortified wine wholesale permit, under certain circumstances. The bill also allows the issuance of wine grower permit to farms of at least 10 acres committed to the production of grapes for the manufacture of unfortified wine and sets the permit fee at \$300. Finally, the bill expands the current winery special event permit to allow a winery to sell wine by the glass at special events.

ASSUMPTIONS AND METHODOLOGY: The primary fiscal impact will come as a result of the new permits for wine tasting and wine growing.

Wine Tasting Permit: The bill allows the issuance of a wine tasting permit to wineries and businesses that hold an off premise wine permits. The NC Department of Agriculture reports that there are currently 21 wineries in the state. At least four more are expected to open in the next year. This suggests that as many as 25 wineries may seek permits in the

first year. The bill also allows any business that holds an off-premise wine permit to apply for a wine tasting permit. (Off-premise wine permits can be awarded to any retailer that sells wine in the manufacturer's original container for consumption off the premises). This includes grocery stores, convenience stores, drug stores, gourmet shops, specialty basket shops, wine shops, restaurants, party shops and cooking stores. The ABC Commission reports that there are currently 7,095 off premise unfortified wine permits. This suggests that as many as 7,120 retailers and wineries could apply for a wine tasting permit in the first year.

Because the bill does not list a permit fee amount Fiscal Research cannot estimate how much revenue issuing these permits will generate.

Wine Grower Permit: The bill also allows the issuance of a \$300 wine grower permit. The Department of Agriculture estimates that there are 20 or fewer growers that would qualify for the permit. They expect this number to grow in future years. Assuming the \$300 permit fee is applied to 20 applications this portion of the bill will raise \$6,000.

A very small revenue increase could be seen as a result of the additional sales at festivals, trade shows, etc. However, that increase is not expected to be significant.

TECHNICAL CONSIDERATIONS: While the bill creates a wine tasting permit it does not set a fee for that permit or authorize the ABC Commission to levy the fee. Similarly the bill creates a wine grower permit of \$300 but does not authorize a legal body to collect the fee.

FISCAL RESEARCH DIVISION 733-4910

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