

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6913

BILL NUMBER: HB 1191

NOTE PREPARED: Jan 3, 2010

BILL AMENDED:

SUBJECT: Alcoholic Beverage Wholesalers.

FIRST AUTHOR: Rep. Pelath

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows a person to wholesale beer, wine, and liquor. (Current law allows a person to wholesale only wine and beer or wine and liquor.) It allows a beer wholesaler to have a minority interest in another entity that holds a beer wholesaler permit, if the entity: (1) is a women-owned business enterprise or a minority-owned business; and (2) the permit premises or warehouse is located in a county that borders the Ohio River. The bill also allows a wine wholesaler that also holds a liquor wholesaler's permit to sell more than 1,000,000 gallons of flavored malt beverage during a calendar year.

The bill requires a primary source of supply of a liquor or wine brand to provide notice to the existing wholesaler of the brand if the primary source of supply intends to: (1) terminate or not renew the distribution rights of the existing wholesaler for the brand and appoint a successor wholesaler to distribute the brand; (2) reduce the existing wholesaler's territory for the brand and appoint a successor wholesaler for the brand; (3) appoint a wholesaler to distribute the brand in all or part of the existing wholesaler's territory; or (4) acquire the right to manufacture or distribute a brand and decides not to have the existing wholesaler continue to distribute the brand. It requires the successor wholesaler for the brand to negotiate with the existing wholesaler for the brand to determine the fair market value of the existing wholesaler's distribution rights for the brand. It provides that if a settlement agreement is not reached within a certain period of time, the matter may be submitted to binding arbitration. The bill also provides that the existing wholesaler continues to distribute the brand until the existing wholesaler is compensated for the loss in distribution rights.

The bill repeals a provision that prohibits the Alcohol and Tobacco Commission from issuing a beer wholesaler's permit to a person who holds a wine wholesaler's permit and a liquor wholesaler's permit.

Effective Date: July 1, 2010.

Explanation of State Expenditures: *Alcohol and Tobacco Commission (ATC):* This bill will cause an increase in administrative costs for the ATC. The amount of the increase is indeterminable. The bill will require the ATC to amend rules, forms, and procedures related to the permits affected by the bill. It is anticipated that the provisions of this bill could be implemented through the use of existing staff and resources.

Explanation of State Revenues: *Permit Fees:* This bill could increase permit fee revenues deposited in the state General Fund and the Enforcement and Administration Fund (EAF). Under current statute a person can wholesale only wine and beer or wine and liquor. This bill strikes that provision, allowing a person to wholesale beer, wine and liquor. The amount of the increase in fee revenue is indeterminable and will depend on the number of permits that are issued. The fee for a beer wholesaler and liquor wholesaler permit is \$2,000 each per year; 66% of the revenues are deposited in the state General Fund and 34% of the revenues are deposited in the EAF.

Impact on Alcohol Sales: To the extent that any of the provisions of this bill affect alcoholic beverage sales, state revenues will be impacted. Sales changes will affect collections of both alcoholic beverage excise taxes and the Sales Tax. It is estimated that the following provisions could increase sales of alcoholic beverages in the state:

1. Allowing holders of wine wholesaler permits to sell more than 1,000,000 gallons of flavored malt beverage during a calendar year.
2. Allowing individuals to wholesale beer, wine, and liquor.

The alcoholic beverage excise taxes are distributed in varying amounts to the following funds: state General Fund, the Post War Construction Fund, the Enforcement and Administration Fund, the Addiction Services Fund, and the Wine Grape Market Development Fund. The state retains 50% of the General Fund distribution of beer and wine excise tax revenue. The remainder is distributed to cities and towns based on population.

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures:

Explanation of Local Revenues: To the extent that revenue from alcoholic beverage excise taxes increase revenues going into the General Fund, revenues to cities and towns would increase.

State Agencies Affected: ATC.

Local Agencies Affected: Cities and towns.

Information Sources:

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