Vermont Legislative Joint Fiscal Office

One Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • Fax: (802) 828-2483

FISCAL NOTE

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Prepared by: Graham Campbell

H.13: An act relating to miscellaneous amendments to alcoholic beverage and tobacco laws- as amended by the Senate Committee on Economic Development, Housing and General Affairs.

Summary

The bill makes several changes to Vermont's alcoholic and tobacco laws. It changes the fines for various tobacco and alcohol related offenses, making them greater in most instances. The bill also changes the tax on spirits and fortified wines from a tiered rate structure based upon gross receipts to a 5% flat tax, while at the same time requiring the Department of Liquor and Lottery to generate, at a minimum, the same revenue for the State as the preceding fiscal year.

Fiscal Impact

The Joint Fiscal Office (JFO) estimates that the bill will have minimal fiscal impact on the General Fund in Fiscal Year 2020. This assumes Department of Liquor and Lottery remits the same amount of revenue to the General Fund using markup as they would have from the Liquor Tax.

However, the revenue loss relative to current law could grow slowly over time. Language requiring the Department of Liquor and Lottery to generate the same revenues for the General Fund as the preceding fiscal year prevents a significant loss in liquor revenues for the State. However, under current law, the Consensus Revenue Forecast projects liquor tax revenues to grow roughly 2% per year, all of which is dedicated to the General Fund. Under the bill, the only way for General Fund liquor revenues to be equal to current law is if the Department were to increase their mark-up by the same 2% per year.

Furthermore, assuming local distilleries' direct sales continue to grow, under current law, they would eventually be subject to the 25% rate based upon gross receipts. If this bill is enacted, they would only be subject to a 5% rate. This means the State would collect about a fifth of what it will collect under current law once those distilleries reach $750,000 in gross receipts. JFO estimates that in FY23, that difference will be around $150,000, and growing to $325,000 in FY24. This estimate could vary depending on the growth in local distillers' direct sales in the future. However, it is also possible that of because the tax cliff, these distillers might cease operations to avoid exceeding $750,000 in gross receipts, negating any potential revenue loss.

The bill also contains a number of increases to the fines associated with alcohol and tobacco related offenses. Revenue from these increased fines, which would be deposited into the Department's Enterprise Fund, is expected to be minimal.