

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 742 - SB 705

March 29, 2021

SUMMARY OF ORIGINAL BILL: Makes changes to the requirements of entities seeking a winery direct shippers (WDS) license. Removes any future WDS licensure or annual renewals from all fulfillment houses as defined in the proposed legislation. Prohibits other license holders from using fulfillment houses in their operations.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – Due to multiple unknown factors regarding cannibalization of sales, the current capability of companies to adapt their logistics chain, and the unknown number of potential licensees affected by the proposed legislation, any fiscal impact is deemed to be undeterminable at this time.

SUMMARY OF AMENDMENT (006073): Deletes all language after the enacting clause. Makes changes to the requirements of entities seeking a winery direct shippers (WDS) license. Requires maintenance and submission of certain data from WDS licensees. Creates a fulfillment house license with a \$300 application fee, a \$300 annual renewal fee, and \$50 annually for each separate location. Requires fulfillment house licensees to only provide services related to the shipment of wine into or within this state, and only for wineries or winery direct shippers licensed in this state. Requires all fulfillment house licensees to label any package going directly to a person in this state with the words "SIGNATURE OF PERSON AGE 21 OR OLDER REQUIRED FOR DELIVERY". Requires each container of wine shipped directly to a person in this state to be shipped using a common carrier. Requires fulfillment house licensees to verify, maintain, and submit data to the Alcoholic Beverage Commission (ABC) on a quarterly basis. Subjects fulfillment house licensees to punishment by fine, suspension, or revocation of licensure if they fail to verify, maintain, and submit such records.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue – Exceeds \$900/FY21-22/ABC Fund
Exceeds \$300/FY22-23 and Subsequent Years/ABC Fund

Assumptions for the bill as amended:

- The precise number of fulfillment houses that will apply for and ultimately be approved for a license is unknown; however, it is estimated that at least two fulfillment houses would no longer be authorized to hold a winery direct shippers license (\$150 a year), and would now seek and be approved for the fulfillment license created in the proposed legislation.
- The increase in state revenue in FY21-22 would be at least \$900 $[(\$300 + \$300) \times 2] - [(\$150 \times 2)]$ in FY21-22 to ABC, and at least \$300 $[(\$300 \times 2) - (\$150 \times 2)]$ in FY22-23 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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