

**WINE EXCISE TAX  
LIQUOR GROSS RECEIPTS TAX  
Direct Wine Shipments**

April 2, 2019

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>	X	

Department of Revenue  
Analysis of H.F. 2759 (Lesch)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2020</u></b>	<b><u>F.Y. 2021</u></b>	<b><u>F.Y. 2022</u></b>	<b><u>F.Y. 2023</u></b>
	(000's)			
Wine Excise Tax	\$70	\$90	\$100	\$110
Liquor Gross Receipts Tax	\$50	\$110	\$180	\$270
Small Winery Credit	<u>(negl.)</u>	<u>(negl.)</u>	<u>(negl.)</u>	<u>(negl.)</u>
General Fund – Total	\$120	\$200	\$280	\$380

Effective for sales and purchases on or after July 1, 2019.

**EXPLANATION OF THE BILL**

**Current Law:** Wine is subject to alcoholic beverage excise taxes at various rates.

	<u>Per liter</u>	<u>Per gallon</u>
Regular Wine	\$0.08	\$0.30
Strong Wine	\$0.25	\$0.95
Sparkling Wine	\$0.48	\$1.82
Cider	\$0.04	\$0.15

A tax of 2.5% is imposed on the gross receipts from retail sales of liquor. Qualified wineries are entitled to a credit equal to the excise tax due on wine or cider sold not to exceed the lesser of the tax liability or \$136,275. A qualified winery is defined as a winery, whether or not located in the state, manufacturing fewer than 75,000 gallons of wine and cider annually.

An exemption from the excise tax on wine may be granted for certain shipments of wine under the following conditions: 1) the winery is licensed in a state other than Minnesota, or located in Minnesota; 2) the wine will be used for personal use and not for resale; 3) no more than two cases of wine will be shipped in any calendar year, with a maximum of nine liters per case; and 4) the shipping container must be clearly labeled to indicate that the package cannot be delivered to a person under the age of 21 years.

**Proposed Law:** The bill would remove the exemption for wine shipped into the state for personal use and require direct ship wineries to collect and remit the 2.5% liquor gross receipts tax and the wine excise tax. The limit on wine shipped into the state for personal use is increased to 12 cases, with a maximum of nine liters per case, in any calendar year. Out-of-state wineries are required to be licensed in their own state, and obtain a direct ship license with the Minnesota Department of Public Safety, in order to ship wine into Minnesota.

## **REVENUE ANALYSIS DETAIL**

- The 2019 Direct-to-Consumer Wine Shipping Report stated that about 91,000 cases of wine were shipped directly to Minnesota residents from wineries in 2018. It was reported that Minnesota experienced 12% growth in the volume of wine shipped into the state for 2018.
- It is expected that the volumes shipped into the state will increase as a result of the bill. The estimate assumes annual growth to be increased by five percentage points in each year for the forecast period.
- It is assumed the average price per bottle of shipped wine is \$35 and will remain constant through the forecast period.
- The fiscal year 2020 estimates are adjusted for 11 months of impact.

Minnesota Department of Revenue  
Tax Research Division  
[www.revenue.state.mn.us/research/  
stats/Pages/Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research/stats/Pages/Revenue-Analyses.aspx)