BILL # SB 1169

TITLE: luxury tax; liquor wholesalers

SPONSOR: Martin

STATUS: As Amended by Senate FIN

REQUESTED BY: Senate

PREPARED BY: Shelli Carol

FISCAL ANALYSIS

Description

The bill, as amended, would change the tax treatment of vinous liquor (wine) to be comparable with the treatment of spirituous (hard) liquor, rather than malt liquor (beer). Therefore, wine would be taxed upon receipt at the point of sale, rather than upon receipt by the wholesaler. This change would take place beginning January 1, 2007. The bill provides that, during the transition, existing, already-taxed inventory would not be taxed again when shipped to the point of sale.

Estimated Impact

This bill, as amended, would result in a one-time shift of approximately $1.1 million in FY 2007 luxury tax revenue. Wholesalers would receive, on average, an additional 45 days to remit taxes owed, effectively pushing collections from part of May and all of June 2007 into FY 2008. The following table displays the estimated one-time FY 2007 revenue reduction by fund.

FUND NAME	FUND TYPE	FY 2007 SHIFT
General Fund	General	$ 284,000
Corrections Fund	Appropriated	569,000
Arizona Wine Promotional Fund	Non-Appropriated	4,000
Judiciary Drug Treatment and Education Fund	Non-Appropriated	205,000
Corrections Drug Treatment and Education Fund	Non-Appropriated	80,000
TOTAL		**$1,142,000**

The Department of Revenue (DOR) does not believe this bill would have a long-term revenue impact on the state.

Analysis

By current statute, tax accrues on wine when it arrives at the wholesaler's premises. The wholesaler must then remit tax to DOR on or before the 20^{th} day of the following month. This bill would delay the accrual of the vinous liquor tax until the product arrives at the point of sale. The tax remission guideline would remain the same. Wine has an average turnaround of 45 days at the wholesaler's premises. Therefore, this bill would shift vinous liquor tax payments about a month and a half into the future.

As a result, the vinous liquor tax payments due, under current statute, in the last 45 days of FY 2007 would, under this bill, be due in the beginning of FY 2008. This shift would represent a one-time reduction in FY 2007 luxury tax collections. The average monthly tax collected by DOR during May, June, and July of both 2004 and 2003 was $760,000. Adjusting for a month and a half of shifted revenues, the state would collect approximately $1.1 million less in FY 2007.

Once the collection timeline adjusts to the provisions of the bill, there would be no further fiscal impact on the state. All else being equal, vinous liquor luxury tax collections would resume their normal levels from FY 2008 onward.

Local Government Impact

None. Local jurisdictions do not share in the state luxury tax.

2/9/05