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## FISCAL IMPACT REPORT

**SPONSOR** Garcia Richards/Griggs      **ORIGINAL DATE** 2/24/15  
**LAST UPDATED** 3/05/15      **HB** 339/aHBEC

**SHORT TITLE** Small Brewer & Winegrower Reciprocity      **SB** \_\_\_\_\_

**ANALYST** Elkins

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17		
	See Text	See Text	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to SB440

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Regulation and Licensing Department (RLD)

### SUMMARY

#### Synopsis of House Business and Employment Committee Amendment

House Business and Employment Committee amendment to House Bill 339 allows craft distiller and small brewer’s licensees to operate three off-premise locations. Currently, craft distiller and small brewer’s licensees are limited to two off-premise locations but winegrower licensees are allowed three off-premise locations.

#### Synopsis of Original Bill

House Bill 339 will allow craft distillers, winegrowers, and small brewers to obtain wine, beer, or spirits directly from a winegrower, small brewer, or craft distiller without going through a licensed New Mexico wholesaler. House Bill 339 will also allow winegrowers to sell beer produced by New Mexico small brewers and spirits manufactured by New Mexico craft distillers without manufacturing beer or distilling spirits or having the licenses and permits to manufacture beer and spirits. The bill will allow small brewers to sell wine produced by New Mexico winegrowers and spirits manufactured by New Mexico craft distillers without manufacturing wine or distilling spirits or having the licenses and permits to manufacture wine and spirits. HB 339 will allow craft distillers to sell wine produced by New Mexico winegrowers and beer

produced by New Mexico small brewers without manufacturing wine or beer or having the licenses and permits to manufacture wine and beer.

### **FISCAL IMPLICATIONS**

License fees for a small brewer license are \$750 annually and between \$25 and \$100 annually for a winegrower license. License fees for an off-premises location are \$200 annually. There will be some lost revenue by allowing a brewer to sell wines and winegrowers to sell beers without obtaining a license to manufacture each type of alcoholic beverage.

There are currently 57 small brewers with 17 off-premises locations. The Alcohol and Gaming Division would anticipate that the majority of them would serve both beer and wine if allowed to. Thus, the max loss in revenue would be \$42.8 thousand, due to lower license fees. However, there could be an increase in revenue from allowing small brewers to have three, instead of two, off-premises locations.

### **SIGNIFICANT ISSUES**

According to RLD, each type of craft manufacturer (distillers, brewers and winegrowers) may obtain products produced by other craft manufacturers of the same type but not from other license types. Under the current statutory framework, if a small brewer wishes to serve wines or spirits, the small brewer must obtain a winegrower license or craft distiller license and produce wine or distill spirits at their facilities. They must have all required federal licenses and permits. The wines or spirits must be transferred to the small brewer by a licensed wholesaler as New Mexico is a three-tier state (manufacturer to wholesaler to retailer for distribution to the public). A winegrower or craft distiller wishing to serve beers, wines, or spirits must go through the same process. HB 339 eliminates the manufacturing requirement for other types of alcoholic beverages under these craft manufacturing licenses. It also eliminates one tier of the three-tier system by allowing a winegrower, small brewer, or craft distiller to purchase directly from the manufacturer.

CE/aml/je