

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 27, 2025

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB3993 by Troxclair (Relating to taxes imposed on vinous liquor.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3993, As Introduced: a negative impact of (\$1,780,000) through the biennium ending August 31, 2027.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2026	(\$890,000)
2027	(\$890,000)
2028	(\$890,000)
2029	(\$890,000)
2030	(\$890,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1
2026	(\$890,000)
2027	(\$890,000)
2028	(\$890,000)
2029	(\$890,000)
2030	(\$890,000)

Fiscal Analysis

The bill would increase the maximum allowable percentage alcohol by volume for vinous liquors taxed at a rate of 20.4 cents per gallon to 16 percent. Vinous liquors containing greater than 16 percent alcohol by volume would be taxed at 40.8 percent.

The bill would take effect September 1, 2025.

Methodology

The tax rates proposed for amendment are currently 20.4 cents per gallon for alcohol by volume of up to 14 percent; over 14 percent alcohol is taxed at 40.8 cents per gallon. Based on wine production and taxable withdrawals data available from Alcohol and Tobacco Tax and Trade Bureau for 2017 and 2018, the year before and year after the change in federal tax classification from 14 percent to 16 percent, this analysis assumes that

one-half of wine currently taxed at 40.8 cents per gallon would become taxable at 20.4 cents per gallon should the bill take effect. This percentage was applied to the excise taxes paid on wine in the current 40.8 percent tax bracket provided by the Texas Alcoholic Beverage Commission and projected forward based on the Comptroller's *2026-27 Biennial Revenue Estimate*.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI