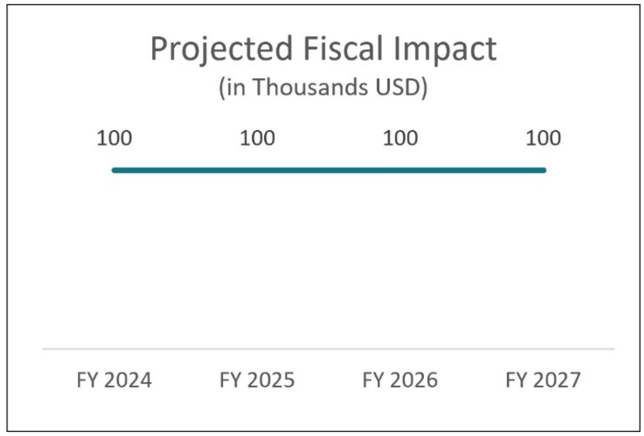
Shipments of Wine for Personal Use

Tax Expenditure Initial Review - TEB 7.1.06

Tax Expenditure Facts

Year Enacted	1993
Statute	Minnesota Statutes 2025, section 297G.07, subdivision 1(5) and section 340A.417
Tax Type	Alcoholic Beverages
Provision Type	Exemption – Alcoholic Beverages
Latest Fiscal Impact Estimate	$100,000 Fiscal Year 2027
Latest Claims Estimate	Direct measure of this estimate is not currently available
Expiration Date	None



Tax Expenditure Description

An exemption from the alcoholic beverage excise tax is allowed for wine shipped to a Minnesota resident from a winery licensed in Minnesota or another state. The wine must be for personal use, and no more than two cases of wine containing a maximum of nine liters per case can be shipped to any resident in a calendar year. This exemption was enacted in 1993 and was last modified in 2009.

Additional Background Information

Beneficiaries of this tax exemption are Minnesota residents who purchase cases of wine and receive the product through a case shipment. The exemption is administered by the Department of Revenue and the Department of Public Safety. The Exemption for Shipments of Wine for Personal Use reduces the amount of excise tax revenue that would otherwise be generated. State alcohol excise tax collections are deposited in the state General Fund.

Proposed Tax Expenditure Objective for Consideration

The objective of the Minnesota Exemption for Shipments of Wine for Personal Use is to reduce administrative burden and preclude the purchasers of shipped wine from the additional cost of taxation, and is limited to two cases containing up to nine liters of wine per case.

Sources

An explicit tax expenditure objective was not identified in the legislative record.

In 1993, the tax expenditure was passed under SF429, the omnibus liquor bill. An audio recording of the bill's committee hearing in the Senate was not available; however, an audio recording of discussions on the companion bill, HF825, was available from the House Committee on Regulated Industries and Energy. Committee discussion offered an explanation for the exemption, speaking to the administrative challenge of enforcing the excise tax on shipped wine products and the high costs of shipping that the consumer had already incurred.[i]

The states bordering Minnesota do subject shipped wine products to their respective taxes on alcohol products.

Potential Metrics and Performance Measures

There is limited information available on sales tax compliance and collection, and these data limitations create potential challenges for conducting a thorough evaluation. The following are evaluation considerations with respect to administrative burden and enforcement actions:

- Assess the efforts of the Department of Public Safety regulation of the importation of alcohol beyond the levels allowed for personal consumption. Cost-benefit analysis of administrative burden for current regulation and enforcement processes as well as regulation and enforcement but for the exemption.
- Perform a return-on-investment analysis of resources allocated to regulation and enforcement and resulting state revenues.
- It is worth exploring what administrative challenges may have existed in 1993 and whether those challenges still exist today.

Contact Information and Disclaimer

This tax expenditure review was prepared by the Legislative Budget Office for the Tax Expenditure Review Commission pursuant to Minnesota Statutes 2025, section 3.8855, subdivision 4.

Notice: Proposed Tax Expenditure Objective statements are not binding authority and should not be used as a legal interpretation of any tax expenditure statute.

For questions regarding this review, please contact the Legislative Budget Office at 651-297-7146 or lbo@lbo.mn.gov.

For more information, please visit the Tax Expenditure Review Commission website.

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[i] Minn. H., Hearing on H.F. 825 before the H. Comm. on Regulated Industries and Energy, 78th Minn. Leg., Reg. Sess. (Apr. 05, 1993), available at https://www.lrl.mn.gov/media/file?mtgid=781655.