

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 528 – HB 542

April 14, 2015

**SUMMARY OF ORIGINAL BILL:** Authorizes any Tennessee resident who has been residing outside of the United States due to employment to ship any wine purchased while residing outside the U.S. to this state.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – \$63,200/FY15-16/ABC Fund  
\$1,900/FY15-16/General Fund  
\$25,000/FY16-17 and Subsequent Years/ABC Fund  
\$700/FY16-17 and Subsequent Years/General Fund

Increase Local Revenue – \$400/FY15-16  
\$200/FY16-17 and Subsequent Years

**SUMMARY OF AMENDMENTS (006028, 006095, 006234, 006311):**

Amendment 006311 deletes the authorization established by the original bill and authorizes a restaurant meeting certain requirements in Davidson County to obtain a license for retail sales of alcoholic beverages.

Amendment 006028 authorizes any entity that is authorized by the Department of Environment and Conservation to operate a restaurant or other food and beverage service on the premises of a state park to sell alcoholic beverages for on-premises consumption, as a premier type tourist resort.

Amendment 006095 exempts persons whose physical appearance reasonably demonstrates an age of 50 years or older from being required to present to a retailer of alcoholic beverages a valid, government-issued document, prior to purchase of such beverages.

Amendment 006234 makes a similar exemption for wine sales by retail food store wine license holders.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:**

Increase State Revenue – Exceeds \$900/One-Time/ABC Fund  
Exceeds \$3,700/Recurring/ABC Fund  
Exceeds \$76,100/Recurring/General Fund

SB 528 – HB 542

## **Increase Local Revenue – Exceeds \$31,100/Recurring/Permissive**

Assumptions for the bill as amended:

- It is estimated that two restaurants in Davidson County will obtain a license to sell alcoholic beverages for off-premises consumption. These licenses will be issued in addition to the currently held restaurant licenses.
- There is a one-time application fee of \$300 and a recurring license fee of \$850 for each establishment, payable to the Alcoholic Beverage Commission (ABC) Fund.
- Based on information provided by the Department of Revenue, and assuming that the two establishments will have average annual retail alcohol sales of \$506,150 each, the total recurring increase in sales tax revenue is estimated to be \$68,298 for the state and \$25,340 for the local government.
- There are 56 state parks in Tennessee. The Department of Environment and Conservation reports that this bill as amended could apply to facilities at six state parks; five of which currently hold a liquor-by-the-drink (LBD) license, and one of which does not.
- It is estimated that at least one facility in Edgar Evins State Park in DeKalb County will obtain a license to sell alcoholic beverages for on-premises consumption, as a premier type tourist resort, as a result of this bill as amended.
- There is an initial application fee of \$300 and a recurring license fee of \$2,000, payable to the ABC Fund.
- Any increase in local privilege taxes is estimated to be not significant.
- State and local sales taxes and a 15.0 percent LBD tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in DeKalb County is 2.75 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617%.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- Based on the interquartile average of 2013 LBD tax returns generated by the Department of Revenue and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$110,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, Fiscal Review Committee staff has established three simple, broad venue-type categories and set a ratio for each that is relative to the overall average LBD taxable base: Smaller than Average (50%); Average (100%); Larger than Average (150%). Given the nature of this particular establishment, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$55,000, per year.
- The recurring increase in state revenue to the General Fund is estimated to exceed \$7,836  $[(\$55,000 \times 7.0\%) - (\$55,000 \times 7.0\% \times 3.617\%) + (\$55,000 \times 15.0\% \times 50.0\%)]$ .
- The recurring increase in local revenue is estimated to exceed \$5,777  $[(\$55,000 \times 2.75\%) + (\$55,000 \times 7.0\% \times 3.617\%) + (\$55,000 \times 15.0\% \times 50.0\%)]$ .
- The total increase in revenue to the ABC Fund will exceed \$900 (one-time) and \$3,700 (recurring). The total recurring increase in revenue to the General Fund is estimated to

exceed \$76,134. The total recurring increase in revenue to the local government is estimated to exceed \$31,117.

- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.
- No additional personnel or resources will be required by the ABC.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

/bos