

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 283 - SB 365

March 1, 2015

SUMMARY OF BILL: Extends the Tennessee River Resort District (TRRD) boundary for purposes of licensing and sale of alcoholic beverages for on-premises consumption from three to seven miles of the nearest bank of the Tennessee River.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue – Exceeds \$3,000/One-Time/ABC Fund
Exceeds \$9,300/Recurring/ABC Fund
Exceeds \$156,700/Recurring/General Fund**

Increase Local Revenue – Exceeds \$122,000/Recurring/Permissive

Assumptions:

- The Tennessee Alcoholic Beverage Commission (ABC) reports that, currently, there are approximately 20 TRRD licensees.
- Extending the TRRD boundary from three to seven miles of the nearest bank of the Tennessee River will likely result in the more existing hospitality business (e.g. restaurants, hotels, etc) within the expanded district obtaining licenses to sell alcoholic beverages for on-premises consumption.
- If ten (10) more venues operating within the expanded district obtain licenses as a result of this expansion and they will begin selling alcohol in FY15-16, the fiscal impact is as follows.
- There is an initial application fee of \$300 per establishment, payable to the ABC; the average annual license fee is estimated to be \$925. The one-time increase in revenue to the ABC Fund is estimated to exceed \$3,000 (10 x \$300); the recurring increase in revenue to the ABC Fund is estimated to exceed \$9,250 (10 x \$925).
- Local privilege tax is estimated to be \$925 annually, for a minimum total recurring increase in local revenue of \$9,250. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (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 is estimated to be 2.5 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 and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$110,000 per year. The total taxable base is estimated to exceed \$1,100,000.
- The recurring increase in state revenue to the General Fund is estimated to exceed \$156,715 [(\$1,100,000 x 7.0%) – (\$1,100,000 x 7.0% x 3.617%) + (\$1,100,000 x 15.0% x 50.0%)].
- The recurring increase in local revenue is estimated to exceed \$122,035 [\$9,250 + (\$1,100,000 x 2.5%) + (\$1,100,000 x 7.0% x 3.617%) + (\$1,100,000 x 15.0% x 50.0%)].
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

CERTIFICATION:

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



Jeffrey L. Spalding, Executive Director

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