

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 200 - HB 975

March 1, 2015

SUMMARY OF BILL: Authorizes two community theaters, one historic interpretive center, two historic performing arts centers, and two hotels in Jonesborough to sell alcoholic beverages for on-premises consumption.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – \$2,100/One-Time/ABC Fund
\$2,800/Recurring/ABC Fund
\$41,300/Recurring/General Fund

Increase Local Revenue – \$33,200/Recurring/Permissive

Assumptions:

- This bill only applies to seven establishments located in Jonesborough, Washington County.
- It is assumed that the establishments will begin selling alcohol in FY15-16.
- There is an initial application fee of \$300 for each of the seven establishments, for a total one-time increase in revenue to the Alcoholic Beverage Commission (ABC) Fund of \$2,100. The annual license fees are estimated to be \$150 for five of the establishments, and \$1,000 for the remaining two establishments, for a total recurring increase in revenue to the ABC Fund of \$2,750.
- No additional personnel or resources will be required by the ABC.
- Local annual privilege tax is estimated to be \$300 for each of the five establishments, and \$1,000 for each of the remaining two establishments, for a total recurring increase in local revenue of \$3,500.
- 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 in Washington County is 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 an interquartile average of 2013 LBD tax returns of similar establishments generated by the Department of Revenue, and also applying a reasonable growth rate in LBD tax collections, the average taxable base per establishment for two community theaters, one historic interpretive center, and two historic performing arts centers is estimated to be approximately \$30,000. The total annual gross alcoholic beverage sales for these five establishments is estimated to be \$150,000.
- Further, based on the interquartile average of 2013 LBD tax returns of similar establishments and assuming reasonable growth rates in LBD tax collections, the total taxable base for two hotels is estimated to be approximately \$140,000.
- The total gross sales of alcoholic beverages for all seven establishments is estimated to be \$290,000 per year (\$150,000 + \$140,000).
- The recurring increase in state revenue to the General Fund is estimated to be \$41,316 $[(\$290,000 \times 7.0\%) - (\$290,000 \times 7.0\% \times 3.617\%) + (\$290,000 \times 15.0\% \times 50.0\%)]$.
- The recurring increase in local revenue is estimated to be \$33,234 $[\$3,500 + (\$290,000 \times 2.5\%) + (\$290,000 \times 7.0\% \times 3.617\%) + (\$290,000 \times 15.0\% \times 50.0\%)]$.
- 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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