

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 393 - HB 465**

March 14, 2015

**SUMMARY OF BILL:** Authorizes a commercially operated facility that is located on at least 100 acres, has at least 20 rooms used for overnight accommodations, serves at least two meals a day in a dining room that seats at least 50 persons, and has a stable with at least 30 horse stalls, a horse show arena, and a heated tack room, to sell alcoholic beverages for on-premises consumption as a premier type tourist resort.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue – \$300/One-Time/ABC Fund  
\$2,000/Recurring/ABC Fund  
\$15,700/Recurring/General Fund**

**Increase Local Revenue – \$12,300/Recurring/Permissive**

Assumptions:

- This bill will only apply to one establishment.
- There is an initial application fee of \$300 and a \$2,000 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- No additional personnel or resources will be required by the ABC.
- It is assumed that the establishment will begin selling alcohol in FY15-16.
- Local privilege tax is estimated to be \$1,000 annually. 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 percent.
- 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, we have established three simple, broad venue-type categories and set a ratio for each that is relative to the overall average LBD sales taxable base: smaller than average

(50%); average (100%); and larger than average (150%). The establishment affected by the proposed legislation is assumed to be average.

- The recurring increase in state revenue to the General Fund is estimated to be \$15,671  $[(\$110,000 \times 7.0\%) - (\$110,000 \times 7.0\% \times 3.617\%) + (\$110,000 \times 15.0\% \times 50.0\%)]$ .
- The recurring increase in local revenue is estimated to be \$12,278  $[\$1,000 + (\$110,000 \times 2.5\%) + (\$110,000 \times 7.0\% \times 3.617\%) + (\$110,000 \times 15.0\% \times 50.0\%)]$ .
- 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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