

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1070 - SB 1417

April 16, 2019

SUMMARY OF ORIGINAL BILL: Authorizes Weir Park in Clay County to sell alcoholic beverages for on-premises consumption.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$300/One-Time/ABC Fund
\$2,000/Recurring/ABC Fund
\$8,500/Recurring/General Fund

Increase Local Revenue - \$7,800/Recurring/Permissive

SUMMARY OF AMENDMENT (008241): Deletes and replaces all language after the enacting clause such that substantive changes authorize the following additional establishments to also sell alcoholic beverages for on-premises consumption: the Capitol Theater in Lebanon, the Blake at Kingsport, the Center for the Arts in Murfreesboro, El Fogon Restaurant in Middle Valley, Legacy Farms in Wilson County, Flat Hollow Marina in Campbell County, Hotel 121 in Davidson County, Livingston Central Park in Overton County, and Sip-n-Scoop in College Grove.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue - \$3,000/One-Time/ABC Fund
\$11,200/Recurring/ABC Fund
\$85,500/Recurring/General Fund

Increase Local Revenue - \$75,100/Recurring/Permissive

Assumptions for the bill as amended:

Weir Park – Clay County

- This legislation applies to Weir Park in Clay County.
- 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.
- Local privilege tax is estimated to be \$1,500 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 in Clay 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 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.
- It is assumed that the establishment will begin selling alcoholic beverages in FY19-20.
- Based on the interquartile average of 2018 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the size of this particular venue, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$60,000 per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$8,548 $[(\$60,000 \times 7.0\%) - (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$.
- The permissive recurring increase in local revenue is estimated to be \$7,802 $[\$1,500 + (\$60,000 \times 2.75\%) + (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$.
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

Capitol Theatre - Lebanon

- This legislation applies to the Capitol Theatre in Lebanon, TN.
- There is an initial application fee of \$300 and a \$150 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$1,500 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Lebanon is 2.25 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.

- It is assumed that the establishment will begin selling alcoholic beverages in FY19-20.
- Based on the interquartile average of 2018 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the size of this particular venue, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$60,000 per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$8,548 $[(\$60,000 \times 7.0\%) - (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$.
- The permissive recurring increase in local revenue is estimated to be \$7,502 $[\$1,500 + (\$60,000 \times 2.25\%) + (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$.
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

The Blake at Kingsport

- This legislation applies to The Blake at Kingsport retirement center.
- There is an initial application fee of \$300 and a \$500 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$1,500 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Sullivan 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 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.
- It is assumed that the establishment will begin selling alcoholic beverages in FY19-20.
- Based on the interquartile average of 2018 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.

- Given the size of this particular venue, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$60,000 per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$8,548 [(\$60,000 x 7.0%) – (\$60,000 x 7.0% x 3.617%) + (\$60,000 x 15.0% x 50.0%)].
- The permissive recurring increase in local revenue is estimated to be \$7,802 [\$1,500 + (\$60,000 x 2.75%) + (\$60,000 x 7.0% x 3.617%) + (\$60,000 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.

Center for the Arts –Rutherford County

- This legislation applies to the Center for the Arts in Murfreesboro.
- There is an initial application fee of \$300 and a \$150 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$1,500 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Rutherford 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 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.
- It is assumed that the establishment will begin selling alcoholic beverages in FY19-20.
- Based on the interquartile average of 2018 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the size of this particular venue, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$60,000 per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$8,548 [(\$60,000 x 7.0%) – (\$60,000 x 7.0% x 3.617%) + (\$60,000 x 15.0% x 50.0%)].
- The permissive recurring increase in local revenue is estimated to be \$7,802 [\$1,500 + (\$60,000 x 2.75%) + (\$60,000 x 7.0% x 3.617%) + (\$60,000 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.

Sip-n-Scoop – College Grove

- This legislation applies to the Sip-n-Scoop in College Grove.

- This legislation will require that the Sip-n-Scoop be issued a retailer license and a liquor-by-the-drink license.
- There is an initial application fee of \$300 and a \$650 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$1,500 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Williamson County is 2.25 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.
- It is assumed that the establishment will begin selling alcoholic beverages in FY19-20.
- Based on the interquartile average of 2018 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the size of this particular venue, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$60,000 per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$8,548 $[(\$60,000 \times 7.0\%) - (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$.
- The permissive recurring increase in local revenue is estimated to be \$7,502 $[\$1,500 + (\$60,000 \times 2.25\%) + (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$.
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

EL Fogon Restaurant – Hamilton County

- This legislation applies to the El Fogon Restaurant in Middle Valley, TN.
- There is an initial application fee of \$300 and a \$750 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$1,500 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.

- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Hamilton County is 2.25 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.
- It is assumed that the establishment will begin selling alcoholic beverages in FY19-20.
- Based on the interquartile average of 2018 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the size of this particular venue, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$60,000 per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$8,548 $[(\$60,000 \times 7.0\%) - (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$.
- The permissive recurring increase in local revenue is estimated to be \$7,502 $[\$1,500 + (\$60,000 \times 2.25\%) + (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$.
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

Legacy Farms in Wilson County, Flat Hollow Marina in Campbell County, and Hotel 121 in Davidson County

- This legislation applies to Legacy Farms in Wilson County, Flat Hollow Marina in Campbell County, and Hotel 121 in Davidson County.
- There is an initial application fee of \$300 and a \$2,000 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC) for the establishments located in Wilson County and Campbell County.
- There is an initial application fee of \$300 and a \$1,000 annual fee payable to the ABC for the establishment located in Davidson County.
- No additional personnel or resources will be required by the ABC.
- Wilson County does not levy an alcoholic beverage privilege tax. This establishment is located within the limits of the City of Lebanon. The City of Lebanon levies a \$1,500 privilege tax on premier type tourist resorts.
- It is assumed that Campbell County and Davidson County levies a \$1,500 alcoholic beverage privilege tax.
- 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 Wilson County, Campbell County, and Davidson County is 2.25 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.
- It is assumed that the establishment will begin selling alcoholic beverages in FY19-20.
- Based on the interquartile average of 2018 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the size of these particular venues, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$60,000 per establishment per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$25,644 $\{3 \times [(\$60,000 \times 7.0\%) - (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]\}$.
- The recurring increase in local revenue is estimated to be \$22,506 $\{3 \times [\$1,500 + (\$60,000 \times 2.25\%) + (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]\}$.
- The one-time increase in revenue to the ABC Fund is estimated to be \$900 ($\300×3 entities); and the recurring increase in revenue to the ABD Fund is estimated to be \$5,000 $[(\$2,000 \times 2 \text{ entities}) + (\$1,000 \times 1 \text{ entity})]$.
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

Livingston Central Park – Overton County

- This legislation only applies to Livingston Central Park in Overton County.
- 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.
- Local privilege tax is estimated to be \$500 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 in Overton County is 2.50 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.
- It is assumed that the establishment will begin selling alcoholic beverages in FY19-20.

- Based on the interquartile average of 2018 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the size of this particular venue, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$60,000 per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$8,548 $[(\$60,000 \times 7.0\%) - (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$.
- The recurring increase in local revenue is estimated to be \$6,652 $[\$500 + (\$60,000 \times 2.50\%) + (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$.
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

Total – State and Local Revenue

- The total recurring increase in state revenue to the General Fund is estimated to be \$85,480 $(\$8,548 + \$8,548 + \$8,548 + \$8,548 + \$8,548 + \$8,548 + \$25,644 + \$8,548)$.
- The total one-time increase in state revenue to the ABC is estimated to be \$3,000 $(\$300 + \$300 + \$300 + \$300 + \$300 + \$300 + \$900 + \$300)$.
- The total recurring increase in state revenue to the ABC is estimated to be \$11,200 $(\$2,000 + \$150 + \$500 + \$150 + \$750 + \$650 + \$5,000 + \$2,000)$.
- The total permissive recurring increase in local revenue is estimated to be \$75,070 $(\$7,802 + \$7,502 + \$7,802 + \$7,802 + \$7,502 + \$7,502 + \$22,506 + \$6,652)$.

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

/jdb