

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1906 - SB 2494

February 26, 2020

SUMMARY OF BILL: Authorizes any commercially operated facility as a “premier type tourist resort” for purposes of on-premises consumption of alcohol if the following qualifications are met:

- Has an actual total value of more than \$5,000,000.
- Have 50 or more full-time employees.
- Features resort activities like boating, golf, camping, or other resort activities that have a significant economic effect.
- Is located in an unincorporated part of a county.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - \$6,900/FY20-21/ABC Fund
\$6,000/FY21-22 and Subsequent Years/ABC Fund
\$83,300/FY20-21 and Subsequent Years/General Fund

Increase Local Revenue - \$66,000/FY20-21 and Subsequent Years/Permissive

Assumptions:

- Based on information provided by the Department of Revenue, this legislation is estimated to apply to three entities.
- The Fiscal Review Committee staff does not have access to confidential taxpayer information, so it is unknown what counties these entities are in; therefore, the local sales tax option is estimated to be 2.5 percent.
- There is an initial application fee of \$300 and a \$2,000 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC) for entities applying to be a premier type tourist resort.
- A total increase in state revenue to ABC of \$6,900 $[(\$300 + \$2,000) \times 3]$ in FY20-21 and an increase in state revenue to ABC of \$6,000 $(\$2,000 \times 3)$ in FY21-22 and subsequent years.
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$2,000 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 average 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.
- It is assumed that the establishment will begin selling alcohol in FY20-21.
- Based on the interquartile average of FY18-19 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$130,000 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 \$195,000 ($\$130,000 \times 150\%$) per year.
- The recurring increase in state revenue to the General Fund in FY20-21 and subsequent years is estimated to be \$83,344 $\{ [(\$195,000 \times 7.0\%) - (\$195,000 \times 7.0\% \times 3.617\%) + (\$195,000 \times 15.0\% \times 50.0\%)] \times 3 \}$.
- The recurring increase in local revenue in FY20-21 and subsequent years is estimated to be \$65,982 $\{ [\$2,000 + (\$195,000 \times 2.5\%) + (\$195,000 \times 7.0\% \times 3.617\%) + (\$195,000 \times 15.0\% \times 50.0\%)] \times 3 \}$.
- 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.



Krista Lee Carsner, Executive Director

/abw