

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 217 – HB 1081**

February 28, 2019

**SUMMARY OF BILL:** Authorizes any manufacturer of beer who has a total annual beer production of 50,000 gallons or less to obtain an additional self-distribution permit from the county or city where the manufacturer is located. Requires any such manufacturer electing to self-distribute to register with the Department of Revenue (DOR). Prohibits any such county or city from imposing an additional fee or charge for the issuance of self-distribution permit to such manufacturers. Authorizes such manufacturers to distribute up to 7,000 gallons of beer manufactured, produced, or bottled on the manufacturer's premises to any individual retail business holding a local beer permit, if such business is located within 100 miles of the manufacturer's premises.

Requires a manufacturer with such self-distribution permit to pay all taxes that would otherwise be paid by the wholesaler.

Prohibits a county or city from issuing a self-distribution permit to a manufacturer that has entered into a distribution contract with a beer wholesaler, if the terms of that contract include distribution rights for a county that is located, in whole or in part, within 100 miles of the licensed manufacturer where the beer being distributed has been manufactured, produced, or bottled. Any manufacturer holding a self-distribution permit that enters into such a distribution contract with a wholesaler or whose total output in a calendar year exceeds 50,000 gallons shall cease self-distributing its beer and must surrender the manufacturer's self-distribution permit.

**ESTIMATED FISCAL IMPACT:**

**Increase Local Revenue – Exceeds \$600/Permissive**

Assumptions:

- Based on information provided by the DOR, in FY16-17 and FY17-18, there were approximately 100 taxpayers that filed a beer tax return, or BER 108, with an annual production of 50,000 gallons or less. All such taxpayers are either manufacturers or distributors, but there is no information segregating the two groups of taxpayers.
- The proposed legislation prohibits any county or city from imposing an additional fee or charge for the issuance of a self-distribution permit; however, any such county or city may impose a separate privilege tax pursuant to Tenn. Code Ann. § 57-5-104, which is \$100.

- While it is unknown how many self-distribution permits will be issued statewide; it is reasonably assumed that a minimum of six per year will be issued (or a minimum of two from each grand division) where the applicable county or city elects to levy the \$100 privilege tax.
- The permissive recurring increase in local revenue is reasonably estimated to exceed \$600 (6 x \$100).
- As a result in some breweries being issued self-distribution permits, there would be a shifting of tax burden, concerning payment of the beer barrelage tax pursuant to Tenn. Code Ann. § 57-5-201, from distributors to manufacturers; however, this shifting of tax burden is not expected to have significant impact on total state tax revenue.

**CERTIFICATION:**

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

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jdb