



February 28, 2020

SUMMARY OF BILL: Authorizes the sale of alcoholic beverages on Thanksgiving for alcohol retailers. Authorizes the sale of wine on Thanksgiving for retail food stores.

ESTIMATED FISCAL IMPACT:

Increases State Revenue - \$59,200/FY20-21 and Subsequent Years

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

Assumptions:

- Daily taxable sales attributable to liquor store sales tax collections in the first half of FY19-20 were \$2,740,732.
- It is assumed that sale of alcoholic beverages on Thanksgiving will cannibalize some sales of alcoholic beverages that would have been made on another day. An overall increase in taxable sales estimated to be equal to 20 percent of average daily sales.
- It is estimated that the proposed legislation would result in additional liquor store taxable sales of \$548,146 ($\$2,740,732 \times 20\%$).
- Daily taxable sales attributable to grocery store wine sales tax collections in the first half of FY19-20 were \$304,998.
- It is estimated that the proposed legislation would result in additional grocery store taxable wine sales of \$61,000 ($\$304,998 \times 20\%$).
- It is estimated that sales will increase by five percent from FY19-20 to FY20-21 resulting in a total increase in taxable sales of \$639,603 [$(\$548,146 + \$61,000) \times 1.05$].
- 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.
- The recurring increase in state revenue, as a direct result of the proposed legislation, is estimated to be \$43,153 [$(\$639,603 \times 7.0\%) - (\$639,603 \times 7.0\% \times 3.617\%)$].
- The recurring increase in local revenue, as a direct result of the proposed legislation, is estimated to be \$17,609 [$(\$639,603 \times 2.5\%) + (\$639,603 \times 7.0\% \times 3.617\%)$].
- Alcoholic beverages are taxed additional excise taxes per gallon based on the type of alcohol.
- Based on information from the Department of Revenue, additional tax collections from such taxes will equal approximately 45 percent of state sales tax collections.

- The total recurring increase in alcohol excise tax collections is estimated to exceed \$19,419 ($\$43,153 \times 45.0\%$).
- Pursuant to Tenn. Code Ann. § 57-3-306, such excise tax collections are distributed 82.5 percent to the General Fund and 17.5 percent to counties.
- The recurring increase in state alcohol excise tax revenue is estimated to exceed \$16,020 ($\$19,419 \times 82.5\%$).
- The permissive recurring increase in local alcohol excise tax revenue is estimated to exceed \$3,398 ($\$19,419 \times 17.5\%$).
- Sales of alcoholic beverages may cannibalize some sales of beer on Thanksgiving; however, there will be an increase in beer sales at stores currently closed on Thanksgiving that will now open on that day. The net impact on sales of beer is estimated to be not significant.
- The total recurring increase in state revenue, beginning in FY20-21, is estimated to be \$59,173 ($\$43,153 + \$16,020$).
- The total recurring increase in local revenue, beginning in FY20-21, is estimated to be \$21,007 ($\$17,609 + \$3,398$).

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

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