

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 684 – SB 703

May 2, 2017

**SUMMARY OF ORIGINAL BILL:** Requires the Alcoholic Beverage Commission's annual rules and regulations report to be filed electronically.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

**SUMMARY OF AMENDMENTS (007876, 008301):** Amendment 007876 deletes all language after the enacting clause. Authorizes certain display, advertising and marketing of wine within a retail food store. Authorizes a wholesaler making a delivery of wine at a retail food store to do so at any time agreed upon with management of the store. Specifies that beer wholesalers are not required to obtain a separate license for high gravity beer. Authorizes wholesalers to take certain pre-orders for wine. Adds language to the original bill to prohibit cumulative wholesaler quantity discounts for any retailer licensed to sell alcohol under title 57 chapter 4.

Amendment 008301 adds language to the bill as amended by amendment 007876 to delete the requirement that applicants for retail licenses be residents of Tennessee for the two years immediately preceding application and replaces it with a requirement that applicants be residents of Tennessee. Deletes the requirement for renewal applicants to have maintained residency for at least 10 consecutive years. Authorizes stock of licensed corporations to be transferred to any person who is a resident of Tennessee.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:**

**Decrease State Revenue – Net Impact –**

**\$18,300/FY17-18/ABC**

**\$19,800/FY18-19 and Subsequent Years/ABC**

Assumptions for the bill as amended:

- Based on information provided by the Alcoholic Beverage Commission (ABC), eight beer wholesalers have indicated that they would not renew their license as a result of this legislation.

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- A \$3,000 annual fee is payable to the ABC.
- The recurring decrease in state revenue to the ABC is estimated to be \$24,000 (\$3,000 x 8 wholesalers).
- Based on information provided by the Alcoholic Beverage Commission (ABC), the authorization for pending applicants to take pre-orders will not impact licensing.
- Authorizing certain marketing activity within a retail food store and authorizing wine to be delivered at additional times will not result in a significant state or local fiscal impact.
- Tenn. Code Ann. § 57-3-404(i) prohibits certain wholesaler discounts for retail food store wine licensees. This legislation would extend that prohibition to additional licensees authorized to sell alcoholic beverages.
- Prohibiting certain types of discounts may lead to an increase in expenditures for retailers that may be passed onto the consumer ultimately impacting sales quantities.
- Any overall impact on state or local tax revenue related to the sales of alcoholic beverages is estimated to be not significant.
- Eliminating certain residency requirements for retail license applicants and license renewals may lead to an increase in the number of retail license applicants.
- Retail license applications have a one-time fee of \$300 and an annual fee of \$850 payable to the ABC.
- An additional five applicants statewide will apply for a retail license in FY17-18.
- There will be an increase in one-time state revenue to ABC in FY17-18 for application fees estimated to be \$1,500 (\$300 application fee x 5 applicants).
- There will be a recurring increase in state revenue to the ABC estimated to be \$4,250 (\$850 x 5 applicants).
- The total net decrease in state revenue to ABC in FY17-18 is estimated to be \$18,250 (\$24,000 - \$1,500 - \$4,250).
- The net recurring decrease in state revenue to ABC in FY18-19 and subsequent years is estimated to be \$19,750 (\$24,000 - \$4,250).
- Authorizing additional retail licenses may result in an increase in alcoholic beverage sales for those licensees; it is reasonably assumed that such sales will cannibalize existing sales at other locations and any increase in overall sales statewide will be not significant.
- Any increase state and local tax revenue is estimated to be not significant.

## **CERTIFICATION:**

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



Krista M. Lee, Executive Director

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