



February 27, 2023

**SUMMARY OF BILL:** Authorizes the sale and consumption of alcoholic beverages on certain commercial passenger buses.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - \$696,000/FY23-24/ABC Fund**

**Increase State Revenue –**

**\$77,500/FY23-24/ABC Fund**

**\$62,500/FY24-25 and Subsequent Years/ABC Fund**

**\$236,900/FY23-24 and Subsequent Years /General Fund**

**Increase Local Revenue – \$170,500/FY23-24 and Subsequent Years**

**Other Fiscal Impact – The increase in expenditures incurred by the ABC will be accommodated through current fee revenue.**

Assumptions:

*Revenue:*

- The proposed legislation defines a commercial passenger bus as a bus that is 45 feet in length, has enough seating to accommodate 16 to 36 persons, has an elevated passenger deck over a baggage compartment, and has a separate gallery area.
- The proposed legislation allows alcoholic beverages to be sold and consumed on a commercial passenger bus while the bus is moving, on trips over 100 miles one-way.
- The proposed legislation prohibits consuming alcoholic beverages on the bus in the boundaries of a local government that has not yet approved the sale of alcoholic beverages.
- Based on information provided by the Department of Revenue, it can be reasonably assumed that 50 entities will initially apply and receive a license following passage of the proposed legislation.
- Pursuant to Tenn. Code Ann. § 55-4-301(b)(1), all applicants for on-premises consumption licenses are required to pay an application fee of \$300.
- The proposed legislation establishes the annual fee for commercial passenger buses with an on-premises consumption license at \$1,250.

The estimated increase in state revenue to ABC is \$77,500 [(\$300 x 50) + (\$1,250 x 50)] in FY23-24 and \$62,500 (\$1,250 x 50) in FY24-25 and subsequent years.

- 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 commercial passenger buses will begin selling alcohol in FY23-24.
- The recurring increase in sales is estimated to be \$33,250 per commercial passenger bus per year.
- The recurring increase in state revenue to the General Fund per commercial passenger bus in FY23-24 and subsequent years is estimated to be \$4,737 [(\$33,250 x 7.0%) – (\$33,250 x 7.0% x 3.617%) + (\$33,250 x 15.0% x 50.0%)].
- The recurring increase in local revenue per commercial passenger bus in FY23-24 and subsequent years is estimated to be \$3,409 [(\$33,250 x 2.5%) + (\$33,250 x 7.0% x 3.617%) + (\$33,250 x 15.0% x 50.0%)].
- The estimated increase in state revenue to the General Fund is \$236,850 (\$4,737 x 50) in FY23-24 and subsequent years.
- The estimated increase in local revenue is \$170,450 (\$3,409 x 50) in FY23-24 and subsequent years.

*Expenditures:*

- According to the ABC, the commission will need to purchase and outfit law enforcement type vehicles for each district office to enforce regulations and properly monitor the commercial passenger buses.
- It is assumed the ABC will need at least two vehicles per district office, or at least eight vehicles.
- Based on costs incurred by the Department of Safety and Homeland Security, the one-time increase in expenditures for these vehicles is estimated to be \$696,000 (\$87,000 x 2 vehicles x 4 district offices) in FY23-24.
- The ABC does not receive state funds but rather is supported from fees and minimal federal funds. The one-time increase in expenditures can be accommodated through current fee revenue.

**CERTIFICATION:**

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



Krista Lee Carsner, Executive Director

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