



April 2, 2024

**SUMMARY OF BILL AS AMENDED (013540, 017846):** Establishes a liquor by the drink (LBD) license, the restricted retail business license, authorizing applicants to sell or distribute to patrons alcoholic beverages for consumption on the premises if the applicant is a barbershop or cosmetology shop licensed by the Board of Cosmetology and Barbering or a cigar bar, provides food service for patrons, has a maximum of 20 seats for such food service, offers the food service during the hours alcoholic beverages may be sold, and the applicant's alcoholic beverage sales do not exceed 15 percent of their annual gross sales. Prohibits license holders from selling or giving away alcoholic or malt beverages or wine between 10:00 p.m. and 8:00 a.m. Establishes a \$2,000 annual license fee payable to the Alcoholic Beverage Commission (ABC).

**FISCAL IMPACT OF BILL AS AMENDED:**

**Increase State Revenue –**

**Exceeds \$57,500/FY24-25/ABC Fund**

**Exceeds \$50,000/FY25-26 and Subsequent Years/ABC Fund**

**Exceeds \$58,800/FY24-25 and Subsequent Years/General Fund**

**Increase Local Revenue –**

**Exceeds \$92,300/FY24-25 and Subsequent Years**

Assumption:

- Pursuant to Tenn. Code Ann. § 57-4-301(b)(1), each applicant for an on-premises consumption license must pay a one-time, nonrefundable fee of \$300 when the application is submitted for review.
- The proposed legislation requires a \$2,000 annual tax for the restricted retail business license payable to the ABC.
- According to the Department of Commerce and Insurance, there are 1,673 licensed barbershops and 10,388 licensed cosmetology shops in Tennessee. It is unknown the number of cigar bars in this state; however, it can be reasonably assumed there are at least 100 licensed cigar bars.
- Currently, some of these establishments offer complimentary alcoholic beverages, while some may be licensed to sell alcoholic beverages under an existing license if they meet the existing requirements.

- Based on information provided by the ABC, it can be reasonably assumed a minimum of 25 businesses will apply for the restricted retail business license.
- The increase in state revenue to the ABC as a result of the proposed legislation is estimated to exceed \$57,500  $[(\$300 \times 25) + (\$2,000 \times 25)]$  in FY24-25 and exceed \$50,000  $(\$2,000 \times 25)$  in FY25-26 and subsequent years.
- Pursuant to Tenn. Code Ann. § 57-4-301(b)(2), the local privilege tax is estimated to be \$2,000 for a restricted retail business license.
- 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 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 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 businesses with a restricted retail business license will begin selling alcohol in FY24-25.
- Given the size of the establishments eligible for a restricted retail business license, the recurring increase in sales is estimated to be at least \$16,500 per year per location.
- The recurring increase in state revenue to the General Fund in FY24-25 and subsequent years is estimated to exceed \$58,768  $\{[(\$16,500 \times 7.0\%) - (\$16,500 \times 7.0\% \times 3.617\%) + (\$16,500 \times 15.0\% \times 50\%)] \times 25\}$ .
- The recurring increase in local revenue in FY24-25 and subsequent years is estimated to exceed \$92,294  $\{(\$2,000 \times 25) + [(\$16,500 \times 2.5\%) + (\$16,500 \times 7.0\% \times 3.617\%) + (\$16,500 \times 15.0\% \times 50\%)] \times 25\}$ .
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.
- Any additional responsibilities for ABC will be absorbed by the commission's existing resources, without a significant increase in state expenditures.

## **CERTIFICATION:**

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



Krista Lee Carsner, Executive Director

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