

SB 320 - HB 823
FISCAL MEMORANDUM



Fiscal Review Committee
 Tennessee General Assembly
 February 19, 2025

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SUMMARY OF BILL AS AMENDED (003834): Lowers the county population threshold, from 500,000 to 350,000, for a sports authority facility to be eligible to obtain a liquor-by-the-drink (LBD) license.

Requires, should a facility in Hamilton County apply and be approved, that such license not be issued after June 30, 2030. Requires the law enforcement agency with jurisdiction over such facility in Hamilton County to provide a report to the General Assembly no later than January 1 each year detailing any public safety issues related to the facility.

FISCAL IMPACT OF BILL AS AMENDED:

| STATE GOVERNMENT | | |
|----------------------------|--------------|-------------------------------|
| REVENUE | General Fund | Alcoholic Beverage Commission |
| FY25-26 | \$28,400 | \$2,300 |
| FY26-27 & Subsequent Years | \$28,400 | \$2,000 |

| LOCAL GOVERNMENT | |
|----------------------------|-----------|
| REVENUE | Mandatory |
| FY25-26 & Subsequent Years | \$21,000 |

Assumptions for the bill as amended:

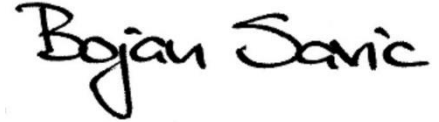
- Pursuant to Tenn. Code Ann. § 57-4-102(37)(A), a sports authority facility refers to a facility:
 - Owned or operated by a sports authority, public building authority, or governmental entity;
 - Designed and used for presentation of professional sporting events and other activities and includes retail sales areas and retail food dispensing outlets including, but not limited to, restaurant areas to accommodate LBD and food patronage;
 - In which a major or minor league professional baseball, football, basketball, hockey, or soccer franchise has entered into a long-term agreement to play its home games; and
 - Located in a municipality or county having a population in excess of 500,000, according to the 1990 federal census or any subsequent federal census.

- The proposed legislation lowers the population threshold to in excess of 350,000, according to the 2020 federal census or any subsequent federal census.
- This legislation only applies to one entity located in Knoxville, Knox County.
- It is assumed that Knoxville Smokies Baseball Stadium will seek a sports facility license in FY25-26.
- Pursuant to Tenn. Code Ann. § 57-4-301(b)(1), the one-time application fee to apply for a sports facility LBD license is \$300 and the annual fee is \$2,000 payable to the Alcoholic Beverage Commission (ABC).
- The increase in state revenue to ABC is estimated to be \$2,300 ($\$300 + \$2,000$) in FY25-26 and \$2,000 in FY26-27 and subsequent years.
- Pursuant to Tenn. Code Ann. § 57-4-301(b)(2), the local privilege tax is estimated to be \$1,000 for a sports facility.
- 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 beverages sales.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Knox County is 2.75 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 establishment will begin selling alcohol in FY25-26.
- Based on historical LBD tax return data, the average taxable base per establishment is estimated to be approximately \$133,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to this legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the size and location of this particular venue, the recurring increase in sales is estimated to be \$199,500 ($\$133,000 \times 150\%$) per year.
- The recurring increase in state revenue to the General Fund in FY25-26 and subsequent years is estimated to be \$28,422 [$(\$199,500 \times 7.0\%) - (\$199,500 \times 7.0\% \times 3.617\%) + (\$199,500 \times 15.0\% \times 50.0\%)$].
- The recurring increase in local revenue in FY25-26 and subsequent years is estimated to be \$20,956 [$\$1,000 + (\$199,500 \times 2.25\%) + (\$199,500 \times 7.0\% \times 3.617\%) + (\$199,500 \times 15.0\% \times 50.0\%)$].
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.
- The proposed legislation requires the law enforcement agency that has jurisdiction over a sports facility in Hamilton County to provide a report to the General Assembly by January 1 of each year detailing public safety issues related to the facility, including instances of driving under the influence, public intoxication, and vandalism.

- It is assumed that only a facility in Knox County will seek and receive the LBD license. Any increase in local expenditures to Hamilton County is not significant.

CERTIFICATION:

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

A handwritten signature in black ink that reads "Bojan Savic". The signature is written in a cursive, slightly slanted style.

Bojan Savic, Executive Director