

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 930 – HB 1287

March 19, 2017

**SUMMARY OF ORIGINAL BILL:** Authorizes alcoholic beverages manufactured on the premises of a licensed distillery to be sold for on premise consumption.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – Exceeds \$17,100

Increase Local Revenue – Exceeds \$13,500/Permissive

**SUMMARY OF AMENDMENT (005130):** Adds language to the original bill to specify that premises of a distillery includes all real property owned or lease by the distillery but does not include the bonded premises of a distillery.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Unchanged from the original fiscal note.**

Assumptions for the bill as amended:

- The Alcoholic Beverage Commission (ABC) will not receive any additional licensing fees.
- No additional personnel or resources will be required by the ABC.
- According to ABC, distilleries are not currently licensed for on premise consumption.
- 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 in 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.
- Based on taxpayer information provided by the Department of Revenue (DOR), the average annual taxable base per distillery is estimated to be \$30,000.

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- According to DOR, there are currently eight licensed distillery taxpayers in Tennessee. It is reasonably assumed that at least four will choose to serve their manufactured alcohol for on premise consumption.
- Local privilege tax is estimated to be \$1,200 total annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- A total taxable base of at least \$120,000 (\$30,000 x 4 distilleries).
- Given the size of this particular venue, the recurring increase in sales is estimated to be 100 percent of the average taxable base, or \$120,000 per year.
- The recurring increase in state revenue to the General Fund is estimated to exceed \$17,096 [(\$120,000 x 7.0%) – (\$120,000 x 7.0% x 3.617%) + (\$120,000 x 15.0% x 50.0%)].
- The recurring increase in permissive local revenue is estimated to exceed \$13,504 [\$1,200 + (\$120,000 x 2.5%) + (\$120,000 x 7.0% x 3.617%) + (\$120,000 x 15.0% x 50.0%)].
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers 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

/jaw