

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 71 - SB 181

March 4, 2019

SUMMARY OF ORIGINAL BILL: Authorizes Zoo Knoxville in Knox County to sell alcoholic beverages for on-premises consumption.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$300/One-Time/ABC Fund
\$2,000/Recurring/ABC Fund
\$17,100/Recurring/General Fund

Increase Local Revenue - \$14,000/Recurring/Permissive

SUMMARY OF AMENDMENT (005204): Deletes and replaces language in the original bill such that the bill as amended also authorizes the Nashville Zoo at Grassmere to sell alcoholic beverages for on-premises consumption.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue - \$600/One-Time/ABC Fund
\$4,000/Recurring/ABC Fund
\$34,200/Recurring/General Fund

Increase Local Revenue - \$28,000/Recurring/Permissive

Assumptions for the bill as amended:

- This legislation only applies to one zoo located in Knoxville, Knox County and one zoo located in Nashville, Davidson County.
- There is an initial application fee of \$300 and a \$2,000 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$2,000 annually. 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 liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.

- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Knox County and in Davidson County is 2.25 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 both establishments will begin selling alcohol in FY19-20.
- Based on the interquartile average of 2018 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 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 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 \$120,000 per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$34,192 $\{2 \times [(\$120,000 \times 7.0\%) - (\$120,000 \times 7.0\% \times 3.617\%) + (\$120,000 \times 15.0\% \times 50.0\%)]\}$.
- The recurring increase in local revenue is estimated to be \$28,008 $\{2 \times [\$2,000 + (\$120,000 \times 2.25\%) + (\$120,000 \times 7.0\% \times 3.617\%) + (\$120,000 \times 15.0\% \times 50.0\%)]\}$.
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

/jdb