

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 201

January 15, 2021

SUMMARY OF BILL: Authorizes the Historic Jackson Theater, Jonesborough Repertory Theatre, International Storytelling Center, McKinney Center, and Jonesborough Visitor Center in Washington County to sell alcoholic beverages for on-premises consumption.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue - \$2,250/FY21-22/ABC Fund
\$750/FY22-23 and Subsequent Years/ABC Fund
\$92,600/FY21-22 and Subsequent Years/General Fund**

Increase Local Revenue - \$67,400/FY21-22 and Subsequent Years/Permissive

Assumptions:

- This legislation applies to five entities located in Jonesborough, Washington County.
- It is assumed that two of these institutions will seek a community theater license, one will seek a historic interpretive center license and two will seek a historic performing arts center license.
- There is an initial application fee of \$1,500 (\$300 x 5 establishments) and an annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC) of \$750 (\$150 x 5).
- A total increase in state revenue to ABC of \$2,250 (\$1,500 + \$750) in FY21-22 and an increase in state revenue to ABC of \$750 in FY22-23 and subsequent years.
- An increase in local privilege tax of \$750. 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 Washington County 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 that the establishments will begin selling alcohol in FY21-22.
- Based on historical LBD tax return data, the average taxable base per establishment is estimated to be approximately \$130,000 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 these particular venues, the recurring increase in sales is estimated to be \$130,000 per year per venue.
- The recurring increase in state revenue to the General Fund in FY21-22 and subsequent years is estimated to be \$92,604 $\{ [(\$130,000 \times 7.0\%) - (\$130,000 \times 7.0\% \times 3.617\%) + (\$130,000 \times 15.0\% \times 50.0\%)] \times 5 \}$.
- The recurring increase in local revenue in FY21-22 and subsequent years is estimated to be \$67,396 $\{ \$750 + [(\$130,000 \times 2.5\%) + (\$130,000 \times 7.0\% \times 3.617\%) + (\$130,000 \times 15.0\% \times 50.0\%)] \times 5 \}$.
- 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.



Bojan Savic, Interim Executive Director

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