Overview – Liquor-by-the-Drink Tax (LBD)

- What is LBD?
- Who is Liable?
- Exemptions
- Registration Bonds/Price Schedule
- Filing/Maintaining Records
- Resources & Recent Laws
- Resources & Recent Laws

Recent Laws
What is LBD?

A tax on the **retail sale of alcoholic beverages, wine, and high alcohol content beer for consumption.**

- The tax is **collected from the consumer and remitted by the retailer** to the TN Dept. of Revenue

- The tax is due for sale/consumption on-premises, BUT licensees may offer drive-through, pickup, carryout, and delivery orders for consumption off the premises until **July 1, 2023***
  *Must accompany food, packed in a container or bottle, and consists of single servings*

- Tax rate: **15%**

- There are a few **exemptions**
Tax Revenue/Allocation - LBD

FY 2021 Allocations

<table>
<thead>
<tr>
<th>Fund</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>$54,227,893</td>
</tr>
<tr>
<td>Cities</td>
<td>$51,457,928</td>
</tr>
<tr>
<td>Counties</td>
<td>$2,770,013</td>
</tr>
<tr>
<td>Event/Tourism Fund</td>
<td>$6</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>$108,455,834</strong></td>
</tr>
</tbody>
</table>

(50%) Education

(47.4%) Municipalities

(2.6%) Counties

(0%) Event Tourism Fund
Who is liable?

All businesses that sell alcoholic beverages, wine, and high alcohol content beer at retail for consumption.

- **Alcoholic Beverages**
  - Alcohol, spirits, or liquor containing at least 5% alcohol by volume

- **Wine**
  - Fermented juice containing no more than 21% alcohol by volume

- **High Alcohol Content Beer**
  - Beer or ale containing more than 8% alcohol by weight

*All must be purchased from an authorized wholesaler.*
Exemptions, Alcoholic Beverage Manufacturers

Certain sales of alcoholic beverages for consumption on the premises of alcoholic beverage manufacturers are specifically exempted from the liquor-by-the-drink tax. The following sales are exempt from the tax:

- **Licensed Distillery:**
  - Samples and sales of alcoholic beverages sold for consumption on the premises.

- **Licensed Winery/Farm Wine Producer/Satellite Facility:**
  - Samples of wine for tasting for consumption on the premises.
  - Retail sales in sealed containers for consumption on the premises.

⚠️ Sales of wine by the glass for consumption on the premises of a licensed winery, farm wine producer, or satellite facility are subject to the liquor-by-the-drink tax.
Exemptions, Other

- **Art galleries** that do not sell food or beverages and that receive 90% of their revenue from the sale of artwork may serve wine to patrons without a charge. These art galleries are not required to pay the LBD tax on the wine they serve.

- **Commercial airlines, paddlewheel steamboat companies, and passenger trains** do not pay the 15% LBD tax on their sales of alcoholic beverage. In lieu of the LBD tax, these companies pay the wholesale gallonage tax on alcoholic beverages they bring into Tennessee.

- **Charitable, nonprofit, or political organizations** that hold a special occasion license and sell alcoholic beverages pursuant to that license do not owe LBD tax on those sales.
1. **Obtain proper licensing** from the Tennessee Alcoholic Beverage Commission (ABC), price schedule required.

2. **Register for LBD on TNTAP**
   - Post $10,000 bond ($2K for wine only)
   - LBD tax account requires Sales Tax account.
Bond Requirements

Bond must be signed by applicant/principal and properly notarized!

SUBMIT VIA TNTAP

PAPER FORM:

TN.gov/Revenue  Tax Resources  Tax Specific Forms  LBD
Submitting/Adjusting Bond
Price Schedule Requirements

You must post a Price Schedule Report ...

- before entering business (submit to TABC), and
- at least annually thereafter based on initial registration month, and as there are price changes/updates

• Submit the following information:

1. number of drinks sold for each type of drink or for each category of drinks with the same price/pour size/bottle ounce;
2. the ounce pour by drink/bottle ounces of each item sold; and
3. sales price for that sale (including drink special prices).
4. submit via TNTAP in one of three ways:
   • Upload point-of-sale system reports (i.e. product mix report) that includes the above information, or
   • Upload completed Standard Price Schedule Form
   • Fill out form electronically
Price Schedule, How to File

LBD-5 - How to File Price Schedule Using TNTAP

Taxpayers must submit the price schedule electronically through their Tennessee Taxpayer Access Point (TNTAP) account. This is done by following the steps below:

- Log in to TNTAP
- Click “View/File Returns”
- Select “File Now” next to the relevant period and Standard Price Schedule Form;
- Enter all required information for the electronic Price Schedule Report;
- Select yes or no, regarding whether you have a price schedule form or a point of sale system report to upload; and
- Enter the information manually, if no is selected, or choose “Add” to attach a document, if yes is selected.
### LBD Standard Price Schedule

**30-Nov-2021**

<table>
<thead>
<tr>
<th>Category Type</th>
<th>Category Description</th>
<th>Glass Pour By Ounce</th>
<th>Selling Price</th>
<th>Drinks per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquor</td>
<td>Liquor by the shot</td>
<td>1.50</td>
<td>3.50</td>
<td>1,190.00</td>
</tr>
<tr>
<td>Liquor</td>
<td>Liquor by the shot</td>
<td>1.50</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

You must enter the information manually before submitting.
Filing

All LBD tax returns and associated payments and forms must be submitted on TNTAP!

- TNTAP logon will be needed to file this tax online.

- Every liquor-by-the-drink taxpayer must maintain monthly inventories.
  - The beginning and ending inventory should be reported on the return.
Filing, example

A beverage’s gross selling price is the total price for which it is sold, including the LBD tax, applicable sales tax, and any mandatory tips.
Inventory Deductions

Licensees cannot dispose of alcoholic beverages through any method other than by sale for consumption on the premises.

- Any disposition of alcoholic beverages that is not excused by law will be considered a sale and taxed accordingly.

- The LBD tax return requires that licensees report their inventory at the beginning and end of each month.
Inventory Deductions

Upon proper proof of the following types of loss, the Department will issue a certificate to the licensee documenting the loss:

- **Theft**
  - taxpayer must report to authorities; insurance paid on claim
- **Breakage/Acts of Nature**
  - someone from Department must view loss; taxpayer must prove bottle was not open prior to breakage
- **Alcohol used for Cooking**
  - must be stored separately; no portion of the bottle may be sold for consumption
- **Destroyed**, in the presence of a Departmental agent, due to closure
When to File

- **Return** due MONTHLY on the **15th** day of the month following the period/previous month
- Licensees with multiple locations must file a separate return for each place of business
- **Price Schedule** submitted *annually or as needed* (price changes/updates)

**EXAMPLE**: August LBD sales reported by September 15th

**PRICE SCHEDULE, example**: If initial account registration was in June, file price schedule every year in June (or as needed)
Delinquency

- Accrual of **Penalty and Interest**
- Failure to timely file a return or delinquent payment of the tax for the **third time in any one-year** licensing period may result in **revoked or suspended** LBD license
  - It is a misdemeanor for any licensee to continue in business after revocation or suspension of the license.
  - Each day a business operates without a license is a separate violation.
- Sole Proprietors and Individual Stakeholders of LLCs/Corps may be held **personally liable** for tax collected and not remitted
How to Close

Any person who sells, transfers, or otherwise terminates ownership in a business engaged in sales of alcoholic beverages for consumption must ...

1. **Surrender the LBD license** to the ABC  
2. Notify the Department of Revenue of closure within 15 days and **file final returns** for alcoholic beverage tax and sales tax

Failure to provide required notice, with the result that the new owner continues to operate under the seller’s/transferor’s license, will be presumed as allowing illegal operation to occur.
Resources – www.TN.gov/Revenue

- Detailed info in the Alcoholic Beverage Tax Manual
- File/Pay & More
- Help Articles
- General LBD Tax Info
Please submit specific account-related questions, or any questions that do not get addressed in this webinar to contact us!

www.tn.gov/Revenue

Revenue.support@tn.gov
Liquor.tax@tn.gov

General Call Center 615.253.0600
Liquor-by-the-Drink 615.253.0680
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Survey populates upon leaving event.