



TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations



10

226 Anne Dallas Dudley Blvd., Suite 508
Nashville, Tennessee 37243-0760

Phone: (615) 741-3012

Fax: (615) 532-2443

www.tn.gov/tacir

MEMORANDUM

TO: Commission Members

FROM: Cliff Lippard

Executive Director

DATE: 29 June 2023

SUBJECT: Senate Bill 2262/House Bill 2419 (Liquor-by-the-Drink Tax and Restaurant Regulations)—Panel

The Commission was directed to study the alcohol taxes and regulations on restaurants in Tennessee and recommend any appropriate changes that would help balance the needs of the businesses and the broader needs of the public. The legislation, Senate Bill 2262/ House Bill 695, was sponsored by Senator Briggs and Representative Mannis in the 112th General Assembly. Tennessee and other states tax and regulate alcohol sales to limit alcohol consumption and help mitigate alcohol-related harm. Restaurant owners say that regulations and taxes make it more difficult to establish, staff, and successfully operate restaurants in Tennessee. For example, they say that state requirements for licensing, permitting, and training may be placing an undue burden on restaurants, but Tennessee Alcoholic Beverage Commission (TABC) staff say these requirements help them enforce the state's alcohol laws, including laws against underage drinking. Tennessee's 15% tax rate on liquor-by-the-drink sales is higher than in any other state, with the tax generating \$187 million for K-12 education and local governments in fiscal year 2021-22.

Tennessee and most other states have a three-tier system for alcohol, where manufacturers provide alcoholic products to wholesalers, who distribute the products to retailers, who sell to the consumers. With a few exceptions (e.g., direct shipment), no one entity can be involved in more than one tier. Restaurants are in the retailer tier and thus rely on wholesalers for their alcohol supply. Restaurants that sell spirits, wine, or beer that contain more than 8% alcohol content by weight are required to obtain a license issued by the TABC. Similarly, restaurants that sell beer that is less than 8%

alcohol by weight are required to obtain a beer permit issued by a county or city beer board.

As part of the staff's research, several key stakeholders have been identified who are knowledgeable about Tennessee's three-tier system for alcohol, alcohol-related laws and regulations, and the restaurant industry. Today, you will hear from six panelists:

- Shauna Billingsley, city attorney for the City of Franklin
- David Connor, executive director of the Tennessee County Services Association
- Rich Foge, president of the Tennessee Malt Beverage Association
- Ryan Haynes, executive director of the Wine & Spirits Wholesalers of Tennessee
- Brian Strutz, owner of A Dopo Pizza in Knoxville, Tennessee
- Russell Thomas, executive director of the Tennessee Alcoholic Beverage Commission

Staff plan to present a draft report for review and comment at the Commission's next meeting.