



# TACIR

The Tennessee Advisory Commission  
on Intergovernmental Relations



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## **MEMORANDUM**

**TO:** Commission Members

**FROM:** Cliff Lippard *Cliff*  
Executive Director

**DATE:** 27 September 2023

**SUBJECT:** Senate Bill 2262/House Bill 2419 (Liquor-by-the-Drink Tax and Restaurant Regulations)—Draft Report for Review and Comment

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The attached Commission report is submitted for your review and comment. It was prepared in response to Senate Bill 2262 by Senator Briggs and House Bill 2419 by Representative Mannis, in the 112th General Assembly, which directs the Commission to study the liquor-by-the-drink and similar taxes for on-premise consumption of alcohol; licensing, permitting, and other fees under title 57, chapters 4 and 5 for the restaurant industry; staffing challenges with respect to server permits, wages, and applicable training necessary to operate such restaurants; and other barriers to entry for such restaurants that may be minimized or mitigated, as identified by the Commission in conducting the study.

At the June 2023 Commission meeting, a panel of six experts was convened. Since then, the Commission has identified two alternatives to both make opening and operating a restaurant easier for businesses, without reducing state and local revenue or compromising public health and safety. The Commission makes no recommendation regarding the state's liquor-by-the-drink tax; while lowering the liquor-by-the-drink tax rate would benefit restaurants, it could also raise public health concerns and reduce funds used by local governments and K-12 education.

- The Tennessee Alcohol Beverage Commission requires businesses to obtain several documents from federal, state, and local agencies to apply for their liquor license. Clarifying on the application which documents are accepted could reduce the cost and time for businesses to apply. Moreover, automating parts of the liquor licensing applications could further speed up the process for

applicants. **For these reasons, the Commission recommends both that the Tennessee Alcohol Beverage Commission inform applicants it accepts temporary occupancy and use permits for liquor license applications and that Strategic Technology Solutions continue to investigate automating parts of the liquor licensing application process.**

- **Modifying or eliminating Tennessee’s post-and-hold law is unlikely to lead to a spike in alcohol consumption and related harms, and the law no longer serves its stated purpose related to tax avoidance. Therefore, the Commission recommends that the General Assembly either repeal the post-and-hold requirement in state law or, alternatively, reduce the hold period from 360 days to 180 days or less to align Tennessee with other states that have post-and-hold requirements.**