

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 29, 2007

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: SB312 by Wentworth (Relating to the taxation of holders of a private club beer and wine permit.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB312, As Introduced: a negative impact of (\$6,788,000) through the biennium ending August 31, 2009.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	(\$3,394,000)
2009	(\$3,394,000)
2010	(\$3,394,000)
2011	(\$3,394,000)
2012	(\$3,394,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>Transit Authorities</i>
2008	(\$3,394,000)	(\$209,000)	(\$1,019,000)	\$319,000
2009	(\$3,394,000)	(\$220,000)	(\$1,073,000)	\$336,000
2010	(\$3,394,000)	(\$231,000)	(\$1,128,000)	\$353,000
2011	(\$3,394,000)	(\$243,000)	(\$1,184,000)	\$371,000
2012	(\$3,394,000)	(\$254,000)	(\$1,240,000)	\$388,000

Fiscal Analysis

The bill would amend Chapter 183 of the Tax Code to exempt holders of a Private Club Beer and Wine permit from paying the mixed beverage tax; however, the bill would amend Chapter 151 of the Tax Code to remove the exemption for holders of a Private Club Beer and Wine permit from paying sales tax.

Under current law, establishments holding Texas Alcoholic Beverage Commission permits or licenses allowing only the retail sales of beer and/or wine pay the state sales tax for sales of those beverages. Private Club Beer and Wine Only permit holders must pay the mixed beverage tax pursuant to the wording used in authorizing the establishment of all private clubs. According to the Comptroller of Public Accounts, the bill would exempt these establishments from the mixed beverage tax and remove the exemption from the sales tax.

The bill would take effect July 1, 2007 if it receives two-thirds vote in each house; otherwise, it would take effect October 1, 2007.

Methodology

Currently, the mixed beverage tax is assessed at a rate of 14 percent of gross receipts. Of this amount, cities and counties each receive 10.7143 percent of the tax collections from permittees within their boundaries, and the state receives the remainder. Under current law, the state sales tax rate is 6.25 percent; cities, counties, and other local taxing jurisdictions may levy additional local sales taxes so long as the combined total local rate does not exceed 2.0 percent.

The Comptroller of Public Accounts reported that in fiscal 2006, the state's share of mixed beverage tax collections from Private Club Beer and Wine permit holders' alcoholic beverage sales was approximately \$7.8 million. The Comptroller estimated that under the provisions of the bill, those alcoholic beverage sales would have generated \$4.4 million in state sales taxes, yielding a net loss of approximately \$3.4 million to the state. The share of local jurisdictions' mixed beverage tax collections from this source was approximately \$2.1 million; but the loss in revenue would be offset in city and county jurisdictions by \$1.3 million in sales taxes. However, Transit Authority jurisdictions, which currently do not receive any mixed beverage tax allocations, would show a net gain.

For the purpose of this estimate, the Comptroller gathered data from its files on the sale of alcoholic beverage by Private Club Beer and Wine permit holders. The Comptroller based the estimates on fiscal 2006 mixed beverage tax collections and multiplied it by the state sales tax rate and extrapolated it through fiscal 2012. The Comptroller proportionally estimated the fiscal impacts on units of local government.

Local Government Impact

The fiscal impact to local government is illustrated in the above tables.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, EB