



# County Technical Assistance Service

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April 25, 2018

## Mixed Drink Tax (Liquor-by-the-Drink Tax)

Tennessee Code Annotated  
Tennessee Attorney General Opinions

Reference Number: CTAS-1627

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*Authority.* T.C.A. §§ 57-4-301 through 57-4-308.

*Description.* Two (2) related taxes are considered together under this topic. Both taxes are on the privilege of selling alcoholic beverages at retail in this state for consumption on the premises. The first (1<sup>st</sup>) tax is an annual fixed amount based on the type and size of the business; the second (2<sup>nd</sup>) tax is a percentage levy fifteen percent (15%) based on the sales price of alcoholic beverages sold for consumption on the premises. T.C.A. § 57-4-301.

*Distribution.* These two (2) taxes are distributed as follows:

1. The fixed annual tax goes to the state general fund for state purposes. T.C.A. § 57-4-301.
2. The gross receipts tax is distributed in accordance with T.C.A. § 57-4-306 as follows (effective until July 1, 2014):
  - a. Fifty percent (50%) to the state general fund to be earmarked for educational purposes.
  - b. Fifty percent (50%) to local political subdivisions:
    - (1) Fifty percent (50%) in the same manner as the county property tax for schools is expended. Except in Bedford County, municipalities that do not operate their own school systems separate from the county must remit one-half of their proceeds from this tax to the county school fund.
    - (2) Fifty percent (50%) divided as follows:
      - (a) Collections in unincorporated areas, to the county general fund.
      - (b) Collections in municipalities, to those municipalities.
    - (3) Fifty percent (50%) of the tax allocated to local political subdivisions which is collected in a municipality that is a premier tourist resort goes to the schools of that municipality.

For a one-year period beginning July 1, 2014, a temporary distribution formula was enacted under [Chapter 901 of the Public Acts of 2014](#), and on July 1, 2014, the exception for Bedford County was repealed. The temporary distribution formula has been extended for subsequent years, currently through June 30, 2018.

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