



# County Technical Assistance Service

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

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Dear Reader:

The following document was created from the CTAS electronic library known as e-Li. This online library is maintained daily by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other e-Li material.

Sincerely,

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

**Reference Number:** CTAS-1627

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

*Description.* Two 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 tax is an annual fixed amount based on the type and size of the business; the second 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 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:
  - 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%) for education, in accordance with the statutory formula.
    - (2) Fifty percent (50%) divided as follows:
      - (a) Collections in unincorporated areas, to the county general fund.
      - (b) Collections in municipalities, to those municipalities.

Special provisions apply in Sevier, Hamilton, and Bradley counties.

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