

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**March 7, 2011**

**TO:** Honorable John Carona, Chair, Senate Committee on Business & Commerce

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

**IN RE: SB595** by Ellis (Relating to the hours of sale for liquor.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB595, As Introduced: a positive impact of \$7,376,385 through the biennium ending August 31, 2013.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	\$3,622,979
2013	\$3,753,406
2014	\$3,888,529
2015	\$4,028,516
2016	\$4,173,542

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue Gain/ (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/ (Loss) from <i>All Local Units of Government Mixed Drinks Tax Allocation</i>	Probable Revenue Gain/ (Loss) from <i>All Local Units of Government Sales Tax</i>
2012	\$3,622,979	(\$406,333)	\$1,047,908
2013	\$3,753,406	(\$420,961)	\$1,098,250
2014	\$3,888,529	(\$436,115)	\$1,151,011
2015	\$4,028,516	(\$451,816)	\$1,206,306
2016	\$4,173,542	(\$468,081)	\$1,264,258

**Fiscal Analysis**

The bill would implement a recommendation in the report, "Repeal Sunday Liquor Sales Restriction to Generate Additional Revenue" in the Legislative Budget Board's *Government Effectiveness and Efficiency Report* submitted to the Eighty-second Texas Legislature, 2011.

The bill would amend Chapter 105 of the Alcoholic Beverage Code to allow a package store to sell or offer for sale liquor on Sunday. The bill also would allow the holder of a wholesaler's permit or a local distributor's permit to sell, offer for sale, or deliver liquor to a package store on Sunday, and remove the provision prohibiting the retail sale of liquor on the following Monday when Christmas Day or New Year's Day falls on a Sunday.

## **Methodology**

Repealing the Sunday liquor restriction would result in an estimated net \$7.4 million General Revenue Fund gain in the 2012-13 biennium.

This revenue estimate is based on a regression analysis published in the National Tax Journal in 2007 that shows that states similar to Texas (Sunday liquor ban including no grocery store sales of liquor) experienced revenue gains and increased liquor consumption when repealing their ban on Sunday liquor sales. Updated analysis from 2010 found a 2.85 percent increase in volume after the repeal of Sunday sales restrictions. This fiscal impact assumes an increase of 2.85 percent, or 782,000 gallons, from liquor consumption in 2009. The retail sale of these additional gallons would yield \$1.9 million in liquor excise taxes per year. An additional \$3.3 million in state sales tax would be generated the first year of Sunday liquor sales assuming an average price of \$67 per gallon of distilled spirits for a gain of \$5.2 million per year.

This gain would be reduced by a loss of mixed drink tax revenue. This revenue estimate assumes that 25 percent of the annual revenue gain to package stores from additional liquor sales would be shifted from mixed drink sales, resulting in a \$1.9 million loss in mixed drinks tax collections in 2012. Assuming the statutory maximum allocation of mixed drinks tax revenues to locals, \$406,333 of the mixed drinks tax revenue loss would be to local governments and \$1.5 million would be a loss to the state in 2012.

Therefore, the liquor and sales tax revenue gain of \$5.2 million would be reduced by the mixed-drink tax loss of \$1.5 million resulting in a gain of \$3.7 million for 2012, or \$7.4 million for the 2012-13 biennium. The five-year fiscal impact estimate assumes a 3.6 percent annual growth in liquor excise taxes based on average liquor excise receipts from 2006 to 2009.

Texas Alcoholic Beverage Commission documents show that Saturday and Sunday are the most active days for Texans importing liquor for their personal use at Texas-Mexico border crossings. It is possible that opening liquor stores on the U.S. side of the border on Sundays could bring some of the transactions currently occurring in Mexico to Texas, but this gain is not included in the analysis above.

## **Technology**

No impact to technology is anticipated as a result of this recommendation.

## **Local Government Impact**

An estimated net revenue gain of \$1.3 million in the 2012-13 biennium to local governments is anticipated assuming a biennial revenue gain of \$2.1 million from the 2 percent local option sales tax and mixed drinks tax loss to locals of \$406,033 in fiscal year 2012 and \$420,961 in fiscal year 2013.

**Source Agencies:** 304 Comptroller of Public Accounts, 458 Alcoholic Beverage Commission

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