

HISTORY OF ALCOHOLIC & TOBACCO TAXATION IN TENNESSEE

Alcoholic Beverages:

Chapter 49 of the Public Acts of 1939 authorized the sale of alcoholic beverages in counties and municipalities of Tennessee, if approved by local referendum. The law also provided for a system of state license fees and established a gallonage tax of 25¢ per gallon on wines and 70¢ per gallon on liquors sold in the state. The gallonage tax was to be prepaid by the purchase of tax stamps which were required to be affixed to the beverage containers.

Since original enactment, the licensing structure has been amended and the tax rates increased several times. In 1943, the wine tax was raised to 35¢ per gallon and the liquor tax was raised to \$1.00 per gallon; in 1947, the wine tax was increased to 70¢ per gallon and the liquor tax was increased to \$2.00 per gallon; in 1963, the liquor tax was increased to \$2.50 per gallon; and in 1967, the present rates were established - \$1.10 per gallon of wine and \$4.00 per gallon of liquor. Effective July 1, 1970, the method of tax payment was changed from the prepaid system to a reporting system, with identification stamps replacing the tax stamps.

Mixed Drink:

In 1967, the General Assembly enacted a mixed drink tax, applicable only to the state's four largest counties. The rate is 15% of the sales price of all alcoholic beverages sold for consumption on the premises.

Beer:

The state tax on beer dates from 1933, when a levy of \$1.20 per barrel of 31 gallons was enacted, with revenues to be divided equally among the state, counties, and incorporated municipalities. Originally, this revenue was earmarked for education, but subsequent legislation removed this restriction. In 1937, the rate was increased to \$1.70 per barrel and then doubled to its present rate of \$3.40 per barrel in 1947.

Tobacco:

Tobacco taxes were first enacted in Tennessee in 1925 as a two-year emergency measure to provide additional revenue for public schools and also to make possible further reductions in the state property tax. The tax was levied on the privilege of selling tobacco products at a rate of 10% of the retail sales price. In 1927, the legislature made the tobacco tax permanent and set the rate of cigarettes at 2¢ per package, while the rate for other tobacco products remained unchanged. In subsequent years extensive legislation has both increased the tax rate and provided the responsible agencies with greater enforcement powers to allow more efficient tax administration.

In 1937, the cigarette tax rate was increased to 3¢ per package, the rate on manufactured tobacco and snuff reduced to 5% of the retail price, and cigars were taxed from \$1.00 to \$13.50, varying with the retail price. The cigarette tax was increased to 5¢ per package in 1951. The rate on manufactured tobacco and snuff was changed to 6% of wholesale cost price in 1965. The cigarette tax rate was increased to 8¢ per package in 1967 and to 13¢ per package in 1969. Effective July 1, 1972, the tax rate on all other tobacco products was changed to 6% of the retail price.

Taxes on cigarettes and cigars are collected by means of tax stamps (decals) which are issued and sold by the Commissioner of Revenue. Cigarette distributors are allowed a discount on their tax payments to cover the costs of selling and affixing the stamps to the packages. This discount decreases from a maximum rate of 2.75% down to the lowest rate of 1.75% as the quantity of stamps purchased accumulates during the year. Effective July 1, 1972, taxes on all tobacco products other than cigarettes were collected by a reporting system and a discount of 2% was allowed to compensate for compliance costs and risks of loss.

TENNESSEE TOBACCO LAWS

Laws of Tennessee. 1925. Chapter 2.

Taxed cigarettes, cigars, tobacco, snuff at 10% of intended retail price. Stamps required. Effective Feb. 28, to end Feb. 28, 1927.

1927. Chapter 2.

Renews tax at same rate effective Feb. 27.

1927. Chapter 77.

Requires that stamps be available in denominations of ½, 1, 1½, 2, 2½, 3, 3½, 5 and 10¢ and other denominations deemed necessary. Includes in retail price the value of the stamps required.

1929. Chapter 17.

Retains 10% tax on all products except cigarettes. Cigarettes taxed at 1/5¢ per cigarette unless retail price is greater than 1¢ per cigarette in which event tax will be 20% of retail price.

Passed Dec. 12.

1931. Second extraordinary session. Chapter 1.

Makes cancelling stamps required. Passed Dec. 8.

1951. Chapter 60.

Cigarette tax changed to 2 ½ mills per cigarette. Effective April 2.

1965. Chapter 118.

Amends 67-3102 of Code. Tax reduced to 6% of wholesale cost. Effective May 1.

1967. Chapter 98.

Tax increased to 4 mills per cigarette. Permits a reporting system in lieu of stamps for tobacco other than cigarettes and cigars. Effective June 1, 1967.

1969. Chapter 250.

Tax increased to 6½ mills per cigarette. Was supposed to revert to 4 mills June 30, 1971. Effective Jun 1, 1969.

1971. Chapter 58.

Restored the 6½ mill tax. Effective April 21. Thus reduction did not occur.

1972. Chapter 457.

Stamps no longer required on cigars. Effective July 1, 1972.

1985. Chapter 179.

Tax remains same but a 0.05% additional tax per pack but not affecting the basic stamp tax.

2002. Chapter 856. (Not seem but cited in compiled statutes).

Tax increased to 10 mills/cigarette effective July 15. That was be 20¢ per pack of 20.

2007. Chapter 368.

Tax increased from 20¢ to 62¢ per pack of 20, 77½¢ per pack of 25. Effective July 1, 2007.