

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 60 - SB 546**

February 11, 2017

**SUMMARY OF BILL:** Authorizes a person subject to the annual occupational privilege tax to a 75 percent tax rebate if the person: (1) during the year for which the tax is imposed is or exceeds the minimum age established for receiving full-benefit social security; and (2) receives no more than \$16,000 per year in annual income from the taxable occupation. Requires the \$16,000 income limit to be adjusted accordingly on July 1, 2019, and each subsequent July 1, to reflect the percentage of change in the average consumer price index. Requires a taxpayer claiming the tax rebate to submit the required proof of eligibility for the rebate to the Commissioner of the Department of Revenue (DOR) at the same time as the tax is paid. Establishes that the tax credit shall apply to occupational privilege taxes due in 2018 and each year thereafter.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Net Impact – \$1,893,300**

**Increase Local Revenue – \$23,100**

Assumptions:

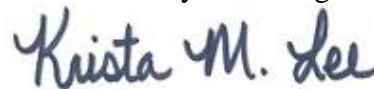
- Pursuant to Tenn. Code Ann. § 67-4-1703(a), occupational privilege tax is a \$400 tax on persons engaging in certain occupations in Tennessee, as specified in Tenn. Code Ann. § 67-4-1702, due and payable on June 1 of each year. The first year impacted by this bill will be FY17-18.
- Pursuant to Tenn. Code Ann. § 67-4-1701, privilege tax collections are required to be deposited to the General Fund.
- The minimum age for receiving full-benefit social security has been 65 for many years. However, the Social Security Amendments of 1983 raised the full retirement age beginning with people born in 1938. Currently, the full-benefit age is 66 for people born between 1943 and 1954, and it will gradually rise to 67 for those born in 1960 and subsequent years.
- Pursuant to Tenn. Code Ann. § 67-4-1709, any employer, including any governmental entity, is authorized to remit the occupational privilege tax on behalf of persons subject to the tax who are employed by such employer.
- It is assumed that taxpayers for whom the State of Tennessee pays the tax will not claim the tax rebate established by this bill.

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- Based on information provided by DOR, it is estimated that approximately 6,500 occupational privilege taxpayers will annually qualify for and receive the proposed tax rebate of \$300 ( $\$400 \times 75\%$ ). This number is assumed to remain constant into perpetuity.
- The recurring decrease in state revenue is estimated to be \$1,950,000 ( $6,500 \times \$300$ ).
- Approximately 5,600 of such taxpayers are estimated to reside in Tennessee.
- It is assumed that 50 percent of tax savings realized by in-state residents will be spent in the economy on sales taxable goods and services. The recurring tax savings that will be spent in the economy on sales taxable goods and services are estimated to be \$840,000 ( $5,600 \times \$300 \times 50\%$ ).
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The net recurring increase in state sales tax revenue is estimated to be \$56,673 [ $(\$840,000 \times 7.0\%) - (\$840,000 \times 7.0\% \times 3.617\%)$ ].
- The total recurring increase in local sales tax revenue is estimated to be \$23,127 [ $(\$840,000 \times 2.5\%) + (\$840,000 \times 7.0\% \times 3.617\%)$ ].
- The net recurring decrease in state revenue as a result of this bill is estimated to be \$1,893,327 ( $\$1,950,000 - \$56,673$ ).
- Any increase in expenditures to DOR to establish the rebate program is estimated to be not significant.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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