

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 519 - SB 884

March 6, 2021

SUMMARY OF BILL: Exempts lobbyist, investment advisers, osteopathic physicians, physicians, and attorneys from the annual \$400 occupational privilege tax, beginning with taxes due and payable after May 31, 2022.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$17,573,500/FY21-22 and Subsequent Years

Decrease State Expenditures – \$826,800/FY21-22 and Subsequent Years

Increase Local Revenue – \$187,100/FY21-22 and Subsequent Years

Assumptions:

- According to the Department of Revenue (DOR), there were 45,080 taxpayers in FY20-21 in the categories becoming exempt by this proposed legislation.
- The recurring decrease in state revenue beginning in FY21-22 is \$18,032,000 (45,080 x \$400).
- For government employees that are subject to the occupational privilege tax, the agency they work for will pay the \$400 fee.
- According to the Department of Human Services, the state pays for 2,067 persons that would be exempt under the proposed legislation.
- The recurring decrease in state expenditures beginning in FY21-22 is \$826,800 (2,067 x \$400).
- Based on information from DOR, 21 percent (9,505 out-of-state / 45,080 total) of taxpayers in these occupations are estimated to be out-of-state.
- 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
- Fifty percent of tax savings from in-state taxpayers, net of the amount paid by the state on behalf of such taxpayers, or \$6,796,054 $\{ [(\$18,032,000 - \$826,800) \times (1-.21)] \times 50\% \}$ will be spent in the economy on sales-taxable goods and services.
- The recurring increase in state sales tax collections is estimated to be \$458,517 $[(\$6,796,054 \times 7.0\%) - (\$6,796,054 \times 7.0\% \times 3.617\%)]$ beginning in FY21-22.
- The recurring increase in local sales tax collections is estimated to be \$187,108 $[(\$6,796,054 \times 2.5\%) + (\$6,796,054 \times 7.0\% \times 3.617\%)]$ beginning in FY21-22.

- The net recurring decrease in state revenue as a result of this legislation is estimated to be \$17,573,483 (\$18,032,000 - \$458,517) beginning in FY21-22.

CERTIFICATION:

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

A handwritten signature in black ink that reads "Bojan Savic". The signature is written in a cursive, slightly slanted style.

Bojan Savic, Interim Executive Director

/aw