

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1599 - SB 1649

February 27, 2018

SUMMARY OF BILL: Establishes that any employer which accepts or employs a secondary education student in work-based learning (WBL) coordinated through such student's local education agency (LEA) shall not be liable for actions relating to that student unless the employer acted willfully or with gross negligence and may elect to provide worker's compensation insurance to compensate the participating student for an injury. Requires any such LEA to maintain liability insurance coverage for all students participating in WBL programs. Requires an LEA to maintain liability insurance coverage to compensate any student participating in a WBL opportunity, for any injury which is not covered by the employer's policy for workers' compensation.

Authorizes an employer, which accepts or employs a secondary education student participating in a WBL opportunity, to claim a \$500 tax credit against franchise and excise (F&E) tax liability. Such tax credit shall be available for the tax period covered in which the student is employed by the taxpayer. Such credit is nonrefundable, nontransferable, and shall be awarded on a first-come, first-served basis. Any unused credit may be carried forward for five years beyond the year in which the credit originated. A single taxpayer can earn no more than \$5,000 in excise tax credits per year. The maximum annual amount of excise credits that may be awarded by the credit established by this legislation is \$1,000,000.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$1,000,000/FY19-20 and Subsequent Years

Other Fiscal Impact – Mandatory increases in local expenditures for the provision of liability insurance coverage provided by local education agencies for students participating in work-based learning opportunities. The extent of any such impacts cannot be determined for they are dependent upon several unknown factors.

Assumptions:

- Based on information from the Department of Education, the number of students enrolled in WBLs in FY16-17 totaled 10,501.
- Given the \$500 F&E tax credit per student, per year, and the total maximum of credits that may be issued pursuant to this legislation, it is reasonably estimated that employers

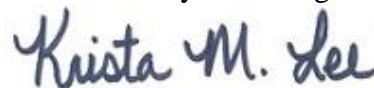
HB 1599 - SB 1649

participating in WBL opportunities will be granted the annual maximum of \$1,000,000 in credits.

- For purposes of promulgating rules, this legislation shall take effect upon becoming law. For all other purposes, this legislation shall take effect January 1, 2019.
- Credits will be able to be earned by employers which accepts or employs a secondary education student after January 1, 2019. It is assumed that credits authorized by this legislation will impact F&E tax liability of such employers, beginning in FY19-20.
- A recurring decrease in state F&E tax revenue in FY19-20 and subsequent years of \$1,000,000.
- This legislation authorizes, but does not require an employer, who accepts or employs a secondary education student in a WBL opportunity, to provide such student with workers' compensation insurance.
- This legislation requires LEAs to maintain liability insurance coverage for all students participating in such WBL programs.
- It further requires an LEA to maintain liability insurance coverage to compensate any student participating in a WBL opportunity, for any injury which is not covered by a policy for workers' compensation insurance.
- This legislation is estimated to result in an increase in the amount of liability insurance held by LEAs to cover students participating in WBL opportunities.
- The amount of any such increase will be dependent upon the extent to which employers, participating in such WBL opportunities, elect to provide workers' compensation coverage to respective secondary education students enrolled in WBL opportunities.
- Any increase in an LEA's liability insurance coverage will result in a mandatory increase in premium payments paid by such LEAs.
- Based on multiple unknown factors, including the number of employers which will elect to provide workers' compensation coverage to students participating in WBL opportunities, the number of LEAs which will need to increase liability insurance, the specific insurance policies covering each individual, the impacted LEAs, and the amount of any such increase, the impact to LEAs cannot be determined with any reasonable certainty.

CERTIFICATION:

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



Krista M. Lee, Executive Director

/jdb