

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 558 - HB 1028

March 18, 2019

**SUMMARY OF ORIGINAL BILL:** Establishes, for corporations and taxpayers treated as a corporation for federal tax purposes, that net earnings or net loss is defined as federal taxable income or loss calculated according to the *Tax Cuts and Jobs Act of 2017* (Act).

FISCAL IMPACT OF ORIGINAL BILL:

Forgone State Revenue – Exceeds \$6,000,000/FY18-19 and Subsequent Years

**SUMMARY OF AMENDMENT (006062):** Deletes all language after the enacting clause. Establishes that the following shall be subtracted from net earnings or net losses, to the extent either would be include in net earnings or net losses according to Tenn. Code Ann. § 67-4-2006(a):

- Any amount included in federal taxable income under 26 U.S.C. § 951A, relating to federal taxation of global intangible low-taxed income; and
- Any amount included in federal taxable income under 26 U.S.C. § 965(a), relating to federal taxation of deferred foreign income,

Establishes that the following shall be added to taxpayer's net earnings or net losses:

- Five percent (5%) of the amount included in federal taxable income under 26 U.S.C. § 951A before the deduction in 26 U.S.C. § 250;
- Five percent (5%) of the amount included in federal taxable income under 26 U.S.C. § 965(a) before the deduction in 26 U.S.C. § 965(c);

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

Forgone State Revenue – Exceeds \$5,000,000/FY18-19 and Subsequent Years

Assumptions for the bill as amended:

- According to the Department of Revenue (DOR), this legislation will result a net decrease in excise tax revenue, beginning in FY18-19; however the decrease in revenue

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will be from an otherwise expanded tax base expected as a direct result of the Act. As a result, such revenue growth has not yet been collected or realized, and thus, is considered forgone state revenue, rather than a decrease in state revenue.

- Based on information provided by the DOR, the net forgone amount of state revenue is reasonably estimated to exceed \$5,000,000 per year.
- The Fiscal Review Committee (FRC) staff does not have access to certain confidential taxpayer information available to the DOR and cannot independently verify the accuracy of such provided information.

**CERTIFICATION:**

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

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jdb