

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1161 - HB 1461

April 8, 2019

SUMMARY OF ORIGINAL BILL: Requires a lessee or renter to notify the Commissioner of the Department of Revenue (DOR), if the lease or rental price of tangible personal property and computer software is calculated on a semi-monthly or quarterly basis.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (007695): Deletes all language after the enacting clause. Creates a sales and use tax exemption on qualified building materials, purchased between July 1, 2019, and December 31, 2026, and used in the construction, expansion, or renovation of one or more qualified, new, or expanded warehouse or distribution facilities; provided, the taxpayer, lessor, or both makes a minimum capital investment of at least \$1,000,000,000 in the construction or renovations of such facilities within the qualified capital investment period.

A taxpayer seeking such exemption shall submit an exemption application to the Commissioner of the DOR, describing the investment to be made during the qualified capital investment period.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Forgone State Revenue - \$7,497,700/FY19-20
\$7,144,200/FY20-21
\$574,600/FY21-22
\$15,500/FY22-23
\$12,900/FY23-24
\$726,700/FY24-25
\$120,400/FY25-26

Forgone Local Revenue - \$2,410,000/FY19-20
\$2,296,400/FY20-21
\$184,700/FY21-22
\$5,000/FY22-23
\$4,100/FY23-24
\$233,600/FY24-25
\$38,700/FY25-26

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Other Fiscal Impact – Secondary economic impacts may occur as a result of this legislation due to increased business activity in Tennessee. Due to multiple unknown factors, fiscal impacts directly attributable to such secondary economic impacts cannot be quantified with reasonable certainty.

Assumptions for the bill as amended:

- The period to which this exemption is applicable is January 1, 2019, through December 31, 2026.
- Qualifying building material costs were provided by the taxpayer this legislation is assumed to effect.
- Such taxpayer has provided evidence that the construction of any warehouse or distribution facilities is dependent upon the tax exemption created by this legislation; therefore, this legislation represents forgone state and local revenue, rather than a decrease in state and local revenue.
- Based on such costs, forgone state and local sales tax revenue is estimated as shown in the table below:

Project investment period January 1, 2019 to December 31, 2026		
	Forgone State Tax	Forgone Local Tax
FY19-20	\$7,497,717	\$2,409,981
FY20-21	\$7,144,213	\$2,296,354
FY21-22	\$574,643	\$184,707
FY22-23	\$15,531	\$4,992
FY23-24	\$12,899	\$4,146
FY24-25	\$726,658	\$233,569
FY25-26	\$120,393	\$38,698

- Secondary economic impacts may occur as a result of this legislation due to increased business activity in Tennessee. Due to multiple unknown factors, fiscal impacts directly attributable to such secondary economic impacts cannot be quantified with reasonable certainty.

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

/jdb