TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 1629 – SB 1710

February 4, 2024

SUMMARY OF BILL: Allocates, after all other distributions, 50 percent of the revenue generated from the realty transfer tax to counties to be used for school debt and school capital projects. Repeals the allocation on June 30, 2029.

FISCAL IMPACT:

Decrease State Revenue –
$105,012,000/Each Year FY24-25 through FY28-29

Increase Local Revenue –
$105,012,000/Each Year FY24-25 through FY28-29

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-4-409(a), $0.37 per $100 tax is collected on all transfers of realty, whether by deed, court deed, decree, partition deed, or other instrument evidencing transfer of any interest in real estate.
- According to the Department of Revenue (DOR), realty transfer tax collections were $287,670,393 in FY22-23.
- Reality tax collections are allocated to the General Fund after several account distributions. Based on information provided by the DOR, distribution to the General Fund after all apportionments in FY22-23 was $223,941,905.
- Fiscal Review Committee staff's estimates for privilege tax growth is -15.28 percent for FY23-24 and 10.70 percent for FY24-25.
- It is estimated that, under current law, the distributions of realty tax collections to the General Fund will be $189,723,582 [$223,941,905 x (1 - 0.1528)] in FY23-24 and $210,024,006 [$223,941,905 x (1 + 0.1070)] in FY24-25. It is assumed this number will stay constant into perpetuity.
- The proposed legislation requires 50 percent of the General Fund distribution be allocated to counties for school debt and school capital projects.
- Therefore, the recurring decrease in state revenue to the General Fund and corresponding increase in local revenue is estimated to be $105,012,003 ($210,024,006 x 50%) in each year FY24-25 through FY28-29.
- The DOR currently has information regarding total realty transfer tax collections by county. According to the DOR, the proposed legislation would require changes to Revenue Accounting, General Ledger, Tennessee Taxpayer Access Point, TR3 Division,

and the web service used by vendors supporting the registrars. The state's vendor, FAST Enterprises, did not provide evidence to the Fiscal Review Committee staff that any system changes will result in a significant increase in state expenditures.
- Due to the current availability of county-level data on realty transfer tax collections, it is assumed that the proposed reallocation of revenue from the General Fund to counties can be accommodated without a significant increase in state or local expenditures.

CERTIFICATION:

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

Krista Lee Carsner

Krista Lee Carsner, Executive Director

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