



March 5, 2022

SUMMARY OF BILL: Extends the deadline by which a distressed rural county must apply with the Department of Finance and Administration (F&A) to be eligible to retain the state and local sales and use tax generated from a commercial development district (CDD) from December 31, 2020, to December 31, 2024, and extends the deadline for F&A to approve a commercial development district from June 30, 2021, to June 30, 2025.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact - Additional allocations of state and local sales tax revenue generated from within any CDD may be made to the respective local government entities; however, the extent and timing of any such additional allocations cannot be estimated with any reasonable certainty.

Assumptions:

- Public Chapter 985 of 2014 authorized an allocation of a portion of state sales tax revenue derived from 5.5 percent of the state sales tax rate on all sales in a CDD, and the amount of local option sales tax revenue not dedicated for school purposes pursuant to Tenn. Code Ann. § 67-6-712(a)(2) derived from all sales in such CDD in excess of base tax revenues, to a county, municipality or an industrial development corporation created by a county, if certain specified criteria is met and F&A determines that the CDD is not economically feasible without such tax revenue allocation.
- The allocated amount is required to be exclusively used by the county, municipality or industrial development corporation for the purpose of paying the indebtedness, principal and interest, and closing costs incurred by such entities in financing the CDD.
- The fiscal memorandum for Public Chapter 985 estimated an increase in local revenue and an equal amount of forgone state revenue exceeding \$120,000 in FY15-16, \$150,000 in FY16-17, and \$500,000 in each year FY17-18 through FY36-37. In addition, it was estimated that there would be a transfer of local option sales tax revenue to the local entity to be used for repayment of debt incurred by such entity in financing a CDD estimated to exceed \$23,000 in FY15-16, \$34,000 in FY16-17, and \$100,000 in each year FY17-18 through FY36-37.
- Based on information provided by the Department of Revenue, no additional allocation of funds has been made as a result of Public Chapter 985; therefore, it is unknown if this legislation will result in any initial and additional allocations.

- Currently, according to information available from the Department of Economic and Community Development, there are 9 distressed counties in Tennessee.
- To the extent that CDDs are established within distressed counties in this state, and meet all the criteria listed in Tenn. Code Ann. § 67-6-104(b)(3)(B), as confirmed through a successful application with the F&A, additional allocations of state and local sales tax revenue generated within any such CDD may be allocated by local governments; however, no such additional allocations can be estimated with any reasonable certainty.

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

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