

SENATE BILL 1086

By McNally

AN ACT to amend Tennessee Code Annotated, Section 67-7-104 and Section 67-7-110, relative to the coal products severance tax.

WHEREAS, the current recession and uncertainty in capital markets have put considerable strain on the economies of local governments throughout the country; and

WHEREAS, the economies of local governments in the state of Tennessee have been particularly damaged by a taxable sales decline of 1.6 % in 2008 due to the governments' dependence on sales tax revenues; and

WHEREAS, the amount of highway funds available to local governments has also declined, demonstrated by the 11.2% decline in gasoline and motor fuel collections for January of this year; and

WHEREAS, local governments that have traditionally benefitted from the revenues derived from natural resources present in their counties have used those funds for education and infrastructure highway funding, two areas crucial for bringing the state beyond the current economic situation; and

WHEREAS, this increase in the coal products severance tax will be allocated to education and highway funding; and

WHEREAS, the general assembly anticipates that local governments will use a portion of the funds allocated to educational endeavors for environmental awareness programs, another issue of great importance for the state; and

WHEREAS, the general assembly intends that this increase in the coal products severance tax will be followed by a revenue stabilization period of ten years; now, therefore,

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 67-7-104, is amended by deleting the section in its entirety and by substituting instead the following language:

§ 67-7-104.

The measure of the tax on all coal products severed from the ground in Tennessee shall be:

- (1) On or after July 1, 2009, through June 30, 2011, fifty cents (50¢) per ton;
- (2) On or after July 1, 2011, through June 30, 2013, seventy-five cents (75¢) per ton; and
- (3) On or after July 1, 2013, one dollar (\$1.00) per ton.

SECTION 2. Tennessee Code Annotated, Section 67-7-110(b), is amended by deleting the language "less an amount of three percent (3%) of the tax and all of the interest and penalty collected," and by substituting instead the language "less an amount of one and one hundred twenty-five thousandths percent (1.125%) of the tax,".

SECTION 3. This act shall take effect July 1, 2009, the public welfare requiring it.