

SENATE BILL 2649

By Watson

AN ACT to amend Tennessee Code Annotated, Title 9 and
Title 67, relative to public funds.

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

SECTION 1. Tennessee Code Annotated, Title 9, Chapter 4, Part 2, is amended by
adding the following language as a new section:

9-4-214.

(a) The Tennessee taxpayer relief and economic recession reserve is created as
a reserve account in the general fund, hereinafter referred to as the "relief and recession
reserve".

(b)

(1) On or before November 1, 2019, and on or before each November 1
thereafter, the commissioner of finance and administration shall determine the
amount of over collections, if any, during the prior fiscal year. The amount of
over collections shall be determined based on the budgeted accrual estimate for
the general appropriation act enacted prior to the beginning of the fiscal year in
which the funds were collected. The commissioner shall report this
determination to the governor, the speaker of the senate, the speaker of the
house of representatives, the chairs of the finance, ways and means committees,
and the office of legislative budget analysis.

(2) For the purposes of this section, the term "over collections" means
state tax revenue collected above the budgeted accrual estimate that would
otherwise be allocated to the general fund but does not include:

(A) Funds that would otherwise be earmarked for educational purposes;

(B) Funds that would otherwise be distributed to local governments;

(C) Funds generated from fees paid to governmental entities that are statutorily required to be self-funding; or

(D) Funds that would otherwise be allocated to the sinking fund account to be used by the state funding board for payment of principal and interest becoming due on state bonds issued by the state of Tennessee.

(c) On or before November 15, 2019, and on or before each November 15 thereafter, over collections shall be allocated as follows:

(1) If the balance of the reserve for revenue fluctuations is less than eight percent (8%) of the state tax revenues allocated to the general fund and the education trust fund for the prior fiscal year:

(A) Either twenty-five percent (25%) of the over collections or the amount needed to bring the balance of the reserve for revenue fluctuations to eight percent (8%) of the state tax revenues allocated to the general fund and the education trust fund for the prior fiscal year, whichever amount is less, shall be allocated to the reserve for revenue fluctuation; and

(B) The remainder of the over collections shall be allocated to the relief and recession reserve; and

(2) If the balance of the reserve for revenue fluctuations is not less than eight percent (8%) of the state tax revenues allocated to the general fund and the education trust fund for the prior fiscal year, then one hundred percent (100%) of the over collections shall be deposited in the relief and recession reserve.

(d)

(1) Unless specifically otherwise authorized by the general assembly in a separate, supplemental appropriations act, moneys available in the relief and recession reserve and over collections that will be allocated in accordance with subsection (c) shall only be used to:

(A) Offset non-recurring shortfalls in state tax revenue due to temporary decreases in the state sales tax rate in accordance with § 67-6-105; or

(B) Offset unexpected shortfalls in state tax revenue in a manner consistent with the procedure established in § 9-4-211(c).

(2) The caption of any supplemental appropriations act proposing the use of the relief and recession fund for a purpose other those authorized in subdivision (d)(1)(A) or (d)(1)(B) shall include the phrase "This act authorizes utilization of the Tennessee taxpayer relief and economic recession reserve."

(e) Moneys in the relief and recession reserve may be invested in a manner consistent with moneys held in the reserve for revenue fluctuations.

SECTION 2. Tennessee Code Annotated, Section 9-4-5203, is amended by adding the following language as a new subsection:

() For purposes of determining compliance with this section and with the Constitution of Tennessee, Art. II, § 24:

(1) The allocation of funds to the reserve for revenue fluctuations or to the Tennessee taxpayer relief and economic recession reserve is not counted as an appropriation from state tax revenue;

(2) The use of funds from the reserve for revenue fluctuations or from the Tennessee taxpayer relief and economic recession reserve to offset unexpected

shortfalls in state tax revenue is not counted as an appropriation from state tax revenue; and

(3) The appropriation of funds from the reserve for revenue fluctuations or from the Tennessee taxpayer relief and economic recession reserve, other than to offset unexpected shortfalls in state tax revenue, is counted as an appropriation from state tax revenue.

SECTION 3. Tennessee Code Annotated, Title 67, Chapter 6, Part 1, is amended by adding the following as a new section:

67-6-105.

(a)

(1) If the unobligated balance of the Tennessee taxpayer relief and economic recession reserve exceeds one hundred fifty million dollars (\$150,000,000) on any January 1, then the seven percent (7%) rate of tax imposed pursuant to § 67-6-202(a) shall be temporarily reduced to six and three quarters percent (6.75%) during the month of September in the subsequent fiscal year unless the general assembly enacts legislation specifying that the reduction shall occur in a different month or for a different number of months in the subsequent fiscal year.

(2) It is the legislative intent that each year the general assembly shall enact legislation to reduce the tax rate as described in subdivision (a)(1) for the maximum number of months possible without reducing the balance of the Tennessee taxpayer relief and economic recession reserve below one hundred million dollars (\$100,000,000).

(b) Any decrease in the rate of tax occurring pursuant to subsection (a) shall be from the increase imposed pursuant to chapter 856, § 4 of the Public Acts of 2002 and

shall be offset with funds from the Tennessee taxpayer relief and economic recession reserve.

(c) No later than July 1 of each year, the department of revenue shall publish notice of any tax rate reduction created pursuant to this section on the department's website.

SECTION 4. Tennessee Code Annotated, Title 67-6-202(a), is amended by deleting the language "The tax shall be levied at the rate of seven percent (7%)." and substituting instead the language "The tax shall be levied at the rate of seven percent (7%) or as otherwise provided in § 67-6-105."

SECTION 5. This act shall take effect upon becoming a law, the public welfare requiring it.