

## **FISCAL NOTE**

### **SB 976 - HB 1667**

February 26, 2001

#### **SUMMARY OF BILL:**

- Imposes a state tax for state purposes only on the privilege of transferring any cable television franchise or business, or any interest in a cable television franchise or business regulated under TCA Title 7, Chapter 59, Part 1. The law would apply to transactions that occur after July 1, 2001.
- The tax rate is 6% of the gross receipts paid for the transfer and must be paid by the transferee.
- Prohibits the transfer, licensing, and regulatory approval from being effective until the tax has been collected and remitted to the department of revenue.
- Provides that the tax would not apply to any transfer of stock or other securities of a cable television entity where such securities are held purely as a passive investment and the form of the transfer has not been structured in whole or in part for the purpose of avoiding the tax.

#### **ESTIMATED FISCAL IMPACT:**

**Increase State Revenues - Exceeds \$1,000,000**

**Increase State Expenditures - \$47,700 One-Time**

For information purposes, in FY 1999:

- There were five transactions involving cable franchises wholly within Tennessee. The value of the five in-state transactions was approximately \$1.1 billion. Excluding the single largest transaction, the value of the four remaining in-state transactions was approximately \$30.8 million.
- There were three transactions involving cable franchises, which had multi-state impacts; the value of which was \$2.29 billion. The in-state impact of these transactions cannot be determined.
- If the tax proposed in the bill were imposed on all in-state transactions, the amount of revenue generated would be \$67.85 million. Estimate assumes such large transactions would not occur frequently. The dollar amount of such transactions from year-to-year cannot be determined and consequently the amount of increased state revenues cannot be determined but is estimated to exceed \$1,000,000.
- An increase in one-time state expenditures of \$47,700 from costs associated with MIS system changes in the Department of Revenue.

#### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

**SB 976 - HB 1667**