

FISCAL NOTE

HB 1988 - SB 2186

March 31, 2005

SUMMARY OF BILL: Changes the effective date for the implementation of the Streamlined Sales Tax Agreement (SSTA) from July 1, 2005 to the first day of the second quarter following the effective date of the SSTA.

ESTIMATED FISCAL IMPACT:

Forgo State Revenues – Up to \$18,300,000

Forgo Local Govt. Revenues – Up to \$25,000,000

Assumptions:

- A study authored by the State of Washington was used to determine the voluntary compliance of non-nexus retailers.
- The Department of Revenue projected increased revenues of \$24.4 million in state sales tax and \$8.0 million in local sales tax under SSTA.
- There are numerous local impacts associated with making Tennessee conform to the SSTA.
- Locals will lose approximately \$3.3 million in state-shared tax revenue under the SSTA due to the implementation of the privilege tax on cable, satellite, and other products and services.
- Locals will gain approximately \$28.63 million from interstate telecommunications, single article sales, commercial energy, and other products and services.
- Given an effective date of October 1, 2005, net local revenues foregone would be as much as \$25.0 million [(\$8.0 million - \$3.3 million + \$28.63 million) X (75% for 9 months of FY06) = \$24.99 million] for FY06.
- Given an effective date of October 1, 2005, net state revenues foregone would be as much as \$18.3 million (\$24.4 million X 75% for 9 months of FY06 = \$18.3 million) for FY06.

CERTIFICATION:

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



James W. White, Executive Director