CORRECTED FISCAL NOTE

SB 3138 – HB 3667

March 27, 2006

SUMMARY OF BILL: Creates and defines "economically distressed regions" for the purpose of a qualified business enterprise (QBE), located within any such region, becoming eligible for $4,500 job tax credits when such QBE makes a minimum capital investment of $500,000 and creates at least 25 net new full-time jobs.

ESTIMATED FISCAL IMPACT:

On March 16, 2006, we issued a fiscal note indicating an unknown fiscal impact that was dependent on several unknown variables. Further, we illustrated two possible scenarios: (1) if there is one QBE and this QBE creates the minimum 25 net new full-time jobs required, state revenues would decrease $62,500, and (2) if there were ten QBEs, and each creates an average of 250 net new full-time jobs, state revenues would decrease $6,250,000. In addition, we indicated there may be some residual economic effects from this bill. However, any such effects were not sufficiently measurable to be included in the quantifiable fiscal impact of the bill. As a result of new information provided by the Department of Economic and Community Development (ECD), the fiscal impact of this bill is:

(CORRECTED)

Other Fiscal Impact - The fiscal impact of this bill is dependent upon (1) the number of counties that qualify as economically distressed regions, (2) the number of QBEs that will materialize within such regions, (3) the number of net new full-time jobs that each QBE will create, and (4) any residual economic impacts that may occur as a result. It is estimated that up to 24 counties could qualify as economically distressed regions. Each of the remaining three factors is considered an unknown variable and difficult to quantify. Thus, deriving a precise fiscal impact from them is very problematic. However, to the extent one QBE locates within an economically distressed region, and this QBE creates the minimum 25 net new full-time jobs required, state revenues would decrease $62,500. In addition, if there were ten QBEs, and each creates an average of 250 net new full-time jobs, state revenues would decrease $6,250,000. Decreases to state revenues as a result of this bill may possibly be offset by increases to revenues that would be generated through residual economic effects, but any such effects are not sufficiently measurable to be included in the quantifiable fiscal impact of this bill.

Assumptions:

- According to ECD, 26 counties in Tennessee currently qualify as economically distressed counties.
- "Economically distressed regions" would include any county having its courthouse located within sixty miles of the county courthouses of two or more counties considered "economically distressed counties."
- It is estimated that up to 24 additional counties could qualify as "economically distressed regions" as proposed in this legislation.
- QBE means a qualified business enterprise that makes a capital investment of at least $500,000 and creates a minimum of 25 net new full-time jobs.
- Under current law, a QBE located in a county other than those considered economically distressed is eligible for job tax credits equal to $2,000 for each net new full-time job created.
- Under current law, a QBE located in a county considered economically distressed is eligible for job tax credits equal to $4,500 for each net new full-time job created.
- The fiscal impact of this bill is dependent upon (1) the number of counties that qualify as economically distressed regions, (2) the number of QBEs that will materialize within such regions, (3) the number of net new full-time jobs that each QBE will create, and (4) any residual economic impacts that may occur as a result.
- Enactment of this bill would allow an unknown number of QBEs, located in economically distressed regions, to be eligible for $4,500 job tax credits, as opposed to $2,000 job tax credits.
- If one QBE located in an economically distressed region creates the minimum 25 net new full-time jobs required, state revenues would decrease by $62,500 ($2,500 additional credit X 25 new jobs = $62,500).
- If ten QBEs create an average of 250 net new full-time jobs, state revenues would decrease by $6,250,000 ($2,500 additional credit X 250 new jobs X 10 QBEs = $6,250,000).
- This act would take effect on July 1, 2006.

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