

FISCAL NOTE

HB 359 – SB 748

February 14, 2007

SUMMARY OF BILL: Enacts the Tennessee Small Town Economic Development Act, effective July 1, 2007. Apportions to any incorporated city or town with a population not exceeding 4,000 people, one-half cent ($\frac{1}{2}\text{¢}$) of every six cents (6¢) of state sales tax revenue generated from the retail sale of food occurring within such city or town, and one-half cent ($\frac{1}{2}\text{¢}$) of every seven cents (7¢) of state sales tax revenue generated from the retail sale of other taxable items occurring within such city or town.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues – Less than \$8,500,000

Increase State Expenditures - \$32,000 One-Time

Increase Local Govt. Revenues – Less than \$8,500,000

Assumptions:

- No portion of revenue that is apportioned to education pursuant to Public Acts of 1992, Chapter 529, Section 9 or Public Acts 2002, Chapter 856, Section 4 shall be apportioned or distributed pursuant to this act.
- According to the Department of Revenue (DOR), there are 113 incorporated cities and towns with populations below 4,000 people.
- According to DOR, total sales tax collections remitted from these cities and counties for items taxable at the 7% rate was approximately \$98,600,000 in FY05-06.
- A 0.5% portion of the \$98,600,000 is approximately \$7,043,000 ($\$98,600,000 \div [7.0\% \div 0.5\%] = \$7,042,857$).
- According to DOR, total sales tax collections remitted from these cities and counties for items taxable at the 6% rate is approximately \$17,500,000 in FY05-06.
- A 0.5% portion of the \$17,500,000 is approximately \$1,458,000 ($\$17,500,000 \div [6.0\% \div 0.5\%] = \$1,458,333$).
- No amount shall be distributed pursuant to this act unless such city or town has levied all taxes authorized and at the maximum rates allowable under current law.

- It is unknown if all of the 113 cities and towns that meet the population requirement of this bill have levied all taxes authorized at the maximum allowable rates.
- The decrease to state revenues is estimated as an amount less than \$8,500,000 (\$7,043,000 + \$1,458,000 = \$8,501,000).
- The increase to local governments (113 incorporated cities or towns) is estimated as an amount less than \$8,500,000.
- The one-time increase to state expenditures for computer and software enhancements is estimated to be \$32,000.

CERTIFICATION:

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

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

James W. White, Executive Director