

CORRECTED FISCAL NOTE

HB 2444 – SB 2644

April 3, 2008

SUMMARY OF BILL: Exempts from state and local sales and use tax the retail sale of flatbed trailers with gross vehicle weights of 23,000 pounds or less that are used primarily for agricultural purposes.

ESTIMATED FISCAL IMPACT:

On January 24, 2008, we issued a fiscal note for this bill indicating a *decrease to state revenue of \$325,300* and a *decrease to local revenue of \$90,400*. Based on additional information received, the fiscal impact of this bill is estimated as follows:

(CORRECTED)

Decrease State Revenue - \$283,200

Decrease Local Revenue - \$78,700

Assumptions:

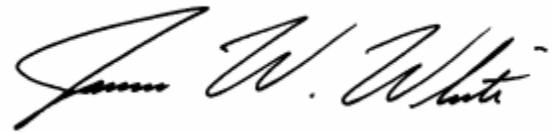
- Based on information obtained from the Farm Bureau and the Department of Revenue, it is estimated that there are approximately 87,000 farms in Tennessee.
- According to the Department of Agriculture, there were approximately 350 nurseries in Tennessee.
- The numbers of farms and nurseries remain relatively constant.
- One percent (874) purchases qualified flat-bed trailers each year.
- The average price for qualified flatbed trailers is estimated to be \$4,000.
- The current state sales tax rate is seven percent.
- The current state single article tax is two and three-quarters percent on any amount in excess of \$1,600, but less than or equal to \$3,200.
- State sales tax obligation is estimated to be \$324 per flatbed trailer sold $((\$4,000 \times 7.00\%) + (\$1,600 \times 2.75\%) = \$324)$.
- The decrease to state revenue is estimated to be \$283,200 (874 trailers x \$324 state tax obligation = \$283,176) per year.
- The average local option sales tax rate is estimated to be 2.25%.

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- Local option sales tax obligation is estimated to be \$90 per flatbed trailer sold ($\$4,000 \times 2.25\% = \90).
- The decrease in local government revenue is estimated to be \$78,700 ($874 \text{ trailers} \times \$90 = \$78,660$) per year.

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

/rnc