TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 668 - SB 1421

March 26, 2009

SUMMARY OF BILL: Requires the amount of occupational privilege tax owed by any professional be dependent upon the time period that such professional has been licensed or registered. Under current law, the occupational privilege tax is $400 per year. Under this bill, persons licensed or registered less than three years will owe $150 per year; persons licensed or registered for three years or more, but less than five years, will owe $300 per year; and persons licensed or registered for more than five years will owe $400 per year.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - $11,576,000/Recurring
Increase State Expenditures - $110,700/One-Time
$240,900/Recurring

Assumptions:

- According to the Department of Revenue (DOR), there are currently 175,396 licensed professionals in Tennessee.
- Collections derived from the occupational privilege tax under current law is estimated to be $70,158,400 per year (175,396 x $400 = $70,158,400).
- Based on information provided by DOR, approximately 20 percent of professionals (35,079) have been licensed or registered for less than three years; 16 percent (28,063) have been licensed or registered greater than three years, but less than five years; and all remaining professionals (112,254) have been licensed or registered for more than five years.
- Collections derived from the occupational privilege tax under this bill is estimated to be $58,582,400 per year [(35,079 x $150) + (28,063 x $300) + (112,254 x $400) = $58,582,350].
- Occupational privilege tax is a tax for state purposes only.
- The recurring decrease to state revenue is estimated to be $11,576,000 per year ($70,158,400 - $58,582,400 = $11,576,000).

- According to DOR, the Department would require additional resources to implement the provisions of this bill.
- Five additional positions for DOR. The associated increase to recurring state expenditures is estimated to be $240,900 per year ($123,500 salaries, $86,800 benefits, $30,600 other). Associated one-time state expenditures are estimated to be $24,300 (for computers, software, communications, etc.).
- Additional one-time state expenditures for computer and software modifications estimated to be $86,400.

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