

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1543 – HB 1813

February 25, 2009

SUMMARY OF BILL: Authorizes all taxing agencies to sell receivables (delinquent property taxes) to public or private parties. Under current law only taxing agencies wholly or partially located within a county having a population of at least 380,000 are authorized to sell receivables.

ESTIMATED FISCAL IMPACT:

Increase Local Expenditures – Not Significant/Permissive

Other Fiscal Impact – The sale of the right to a tax receivable is a sale of a right to cash flow at a future date. Any increase or decrease in local government revenue will depend on the price for which receivables are sold and whether or not the debt would have been collected in the absence of the sale. If receivables are sold on a dollar for dollar basis, there will not be a change in the net amount of revenue realized by local governments, assuming that all of the receivables would have been collected; however, a change will occur in the amount of revenue realized in a given fiscal year.

If the receivables are sold at a discount rate, there will be a decrease in local government revenue, assuming that all receivables would have been collected by the local government entity. There will also be a change in the amount of revenue realized in a given fiscal year. These considerations do not take into account the time value of money which might result in an increase in the realization of more purchasing power on the part of local governments by having collected the money at a present date rather than some date in the future.

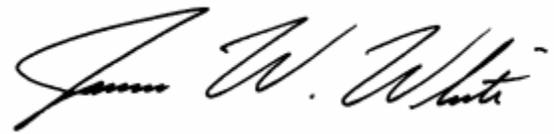
Without knowledge of how many tax receivables would be sold and at what price, a specific fiscal impact on the increase or decrease in local government revenue cannot be reasonably quantified but could be significant.

Assumption:

- According to the Comptroller, there will be an administrative cost to local governments who choose to sell receivables. This cost is permissive and is estimated to be not significant.

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 prominent initial "J" and a distinct "W".

James W. White, Executive Director

/kmc