

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2660 – SB 2621

February 1, 2012

SUMMARY OF BILL: Exempts the retail sale of farm gates, used for the protection and segregation of agricultural products, including agricultural animals, and used for the protection of equipment and buildings used to produce agricultural products, from state and local sales tax when purchased by a qualified farmer or nurseryman.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - \$199,100

Decrease Local Revenue - \$84,100

Assumptions:

- According to the Department of Revenue, and based on data from USDA Economic Research Service reports, the Department estimates taxable sales of qualified farm gates for FY12-13 to be approximately \$2,981,700. This number is assumed to remain constant in subsequent years under current law.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent.
- The recurring decrease in state sales tax revenue is estimated to be \$208,719 (\$2,981,700 x 7.0%).
- The recurring decrease in local option sales tax revenue is estimated to be \$74,543 (\$2,981,700 x 2.5%).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.5925 percent of all state sales tax revenue as state-shared sales tax revenue.
- The local state-shared portion of the decrease in state sales tax revenue is estimated to be \$9,585 (\$208,719 x 4.5925%).
- The net recurring decrease in state revenue is estimated to be \$199,134 (\$208,719 - \$9,585).
- The total recurring decrease in local revenue is estimated to be \$84,128 (\$74,543 + \$9,585).

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CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/rnc