

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

HB 3520 - SB 3296

April 9, 2012

SUMMARY OF BILL: Directs that the machinery and equipment used to produce electricity in a “certified green energy production facility”, as defined in Tenn. Code Ann. § 67-4-2004, be valued at one-half percent of the acquisition cost. Directs that machinery and equipment from a certified green energy production facility be valued at one-third, rather than one-half, of the total installed costs. Takes effect upon becoming law, and applies retroactively to tax year 2012.

ESTIMATED FISCAL IMPACT:

On March 12, 2011, a fiscal note was issued estimating a fiscal impact as follows:

Forgone Local Revenue – Exceeds \$100,000

This impact was in error. Based on additional review, the estimated impact is:

(CORRECTED)

Increase Local Revenue – Exceeds \$50,000

Forgone Local Revenue – Exceeds \$100,000

Assumptions:

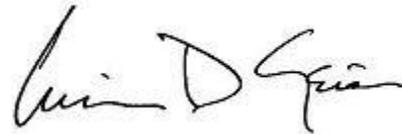
- According to the Comptroller of the Treasury, this bill will not affect any existing property tax assessments because there is currently no facility in Tennessee that meets the definition of a “certified green energy production facility.”
- According to the Comptroller, under current law, such a facility’s real and personal property will be fully appraised, assessed, and taxed.
- As a result of the proposed legislation, at least one facility will become certified and be subject to property taxation. As a result, local governments will realize a corresponding increase in property tax revenue.
- The estimated total installed cost is \$5,000,000.
- The estimated local property tax rate is \$3.00 per \$100 value.

HB 3520 - SB 3296 (CORRECTED)

- Property tax collected under current law on the installed costs would result in increased revenue of \$150,000 [$(\$5,000,000 \text{ value} / \$100) \times \$3$].
- Property tax will be collected on one-third (33.33%) of the installed costs resulting in increased revenue of \$49,995 [$(\$5,000,000 \text{ value} / \$100) \times \$3 \times 33.33\%$].
- These facilities will be constructed in Tennessee as a result of the tax incentive included in this bill. Therefore, the estimated forgone local revenue exceeds \$100,005 (\$150,000 collection under current law - \$49,995).

CERTIFICATION:

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



Lucian D. Geise, Executive Director

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