

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**CORRECTED  
FISCAL NOTE**

**SB 261 – HB 1141**

February 28, 2011

**SUMMARY OF BILL:** Increases, beginning with tax year 2012, the annual Hall Income Tax (HIT) standard income exemption for taxpayers 65 years of age or older from \$16,200 to \$26,200 for single filers and from \$27,000 to \$37,000 for joint filers.

**ESTIMATED FISCAL IMPACT:**

On February 9, 2011, a fiscal note was issued estimating a fiscal impact as follows:

*Decrease State Revenue – \$1,090,600/FY12-13 and Subsequent Years*

*Decrease Local Revenue – \$654,400/FY12-13 and Subsequent Years*

This estimate erroneously assumed that no inheritance tax savings will be spent in the economy on sales-taxable goods and services. Based on the new assumption that 50 percent of inheritance tax savings will be spent in the economy on sales-taxable goods and services, the estimated impact is:

**(CORRECTED)**

**Decrease State Revenue – Net Impact - \$1,029,600/FY12-13 and Subsequent Years**

**Decrease Local Revenue – Net Impact - \$632,600/FY12-13 and Subsequent Years**

Assumptions:

- Fifty percent of tax savings will be spent in the economy on other sales-taxable goods and services.
- A state sales tax rate of 7.0 percent and a local option sales tax rate of 2.5 percent.
- Pursuant to Tenn. Code Ann. § 67-2-102, there is a six percent tax assessed on income derived from stock dividends and bond interest.
- Given this bill becomes effective beginning in tax year 2012, and because the majority of income tax revenue is received during the month of April for the previous tax year, the fiscal impact of this bill will not occur until FY12-13.

**SB 261 – HB 1141 (CORRECTED)**

- According to the Department of Revenue, taxpayers age 65 and over with income levels between the current exemption thresholds and the proposed exemption thresholds will pay approximately \$1,745,000 in HIT in FY12-13.
- Pursuant to Tenn. Code Ann. § 67-2-119(a), five-eighths (62.5 percent) of all HIT revenue is deposited to the General Fund; three-eighths (37.5 percent) is allocated to local government.
- The net decrease to state revenue will be \$1,029,550 [(\$1,745,000 x 62.5%) – (\$1,745,000 x 50.0% x 7.0%)] per year beginning in FY12-13.
- The net decrease to local government revenue will be \$632,563 [(\$1,745,000 x 37.5%) – (\$1,745,000 x 50.0% x 2.5%)] per year beginning in FY12-13.

**CERTIFICATION:**

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



James W. White, Executive Director

/rnc