

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2536 – HB 2972

February 2, 2012

SUMMARY OF BILL: Increases the Hall Income Tax (HIT) maximum allowable income exemption levels, for taxpayers 65 years of age or older, from \$26,200 to \$36,200 for single filers, and from \$37,000 to \$47,000 for joint filers, for tax years beginning in 2013.

ESTIMATED FISCAL IMPACT:

**Decrease State Revenue – Net Impact –
\$1,019,000/FY13-14 and Subsequent Years**

**Decrease Local Revenue – Net Impact –
\$621,600/FY13-14 and Subsequent Years**

Assumptions:

- Under current law, one hundred percent of Hall Income Tax for tax year 2013 would be settled during FY13-14. This collection pattern is assumed to remain constant into perpetuity. As a result, the first year impacted will be FY13-14.
- According to DOR, increasing the maximum allowable exemption for single filers by \$10,000 (\$36,200 - \$26,200) and for joint filers by \$10,000 (\$47,000 - \$37,000) would impact approximately 22,033 single filers and approximately 27,922 joint filers.
- Based on tax return data, DOR indicates the decrease in Hall Income Tax revenue applicable to the 22,033 single filers would be approximately \$1,023,500, and the decrease in Hall Income Tax revenue applicable to the 27,922 joint filers would be approximately \$699,000. Therefore, a total recurring decrease in Hall Income Tax revenue of \$1,722,500 (\$1,023,500 + \$699,000) beginning in FY13-14. The Fiscal Review Committee staff does not have access to the data and information upon which this calculation is based and cannot independently verify its accuracy.
- Pursuant to Tenn. Code Ann. § 67-2-119(a), the state retains 62.5 percent of Hall Income Tax revenue; local governments are apportioned 37.5 percent.
- Fifty percent of tax savings will be spent in the economy on sales taxable goods and services.
- 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 increase in state sales tax revenue beginning in FY13-14 is estimated to be \$60,288 ($\$1,722,500 \times 50.0\% \times 7.0\%$); the recurring increase in local option sales tax revenue beginning in FY13-14 is estimated to be \$21,531 ($\$1,722,500 \times 50.0\% \times 2.5\%$).
- 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 net recurring increase in state sales tax revenue beginning in FY13-14 is estimated to be \$57,519 [$\$60,288 - (\$60,288 \times 4.5925\%)$]; the total recurring increase in sales tax revenue to local governments beginning in FY13-14 is estimated to be \$24,300 [$\$21,531 + (\$60,288 \times 4.5925\%)$].
- The net recurring decrease in state revenue beginning in FY13-14 is estimated to be \$1,019,044 [$(\$1,722,500 \times 62.5\%) - \$57,519$].
- The net recurring decrease in local revenue beginning in FY13-14 is estimated to be \$621,638 [$(\$1,722,500 \times 37.5\%) - \$24,300$].

CERTIFICATION:

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



Lucian D. Geise, Executive Director

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