

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 64 – SB 245

February 19, 2013

**SUMMARY OF ORIGINAL BILL:** Effective January 1, 2014, decreases from 6.50 percent to 6.25 percent, the rate of excise tax imposed on net earnings or a gain from a sale of assets.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – \$504,600/FY13-14  
\$50,461,500/FY14-15 and Subsequent Years

**SUMMARY OF AMENDMENT (003281):** Deletes all language after the enacting clause. Effective January 1, 2014, specifies that the 6.50 percent excise tax shall not apply to the first \$5,000 of a person's net earnings that would otherwise be taxable under Excise Tax Law.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease State Revenue – \$160,900/FY13-14  
\$16,091,300/FY14-15 and Subsequent Years

Assumptions for the bill as amended:

- The current Fiscal Review Committee estimate for excise tax collections for FY13-14 is \$1,312,000,000. This number is assumed to remain constant into perpetuity.
- According to the Department of Revenue (DOR) and based on excise tax collections for FY11-12, exempting the first \$5,000 of a person's net earnings from the six percent excise tax will result in a 1.226473 percent decrease in excise tax collections. 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.
- The recurring decrease in excise tax collections is estimated to be \$16,091,326 (\$1,312,000,000 x 1.226473%).
- According to DOR, approximately one percent of taxpayers will close their taxable year after January 1, 2014 and be required to make a tax payment prior to June 30, 2014.

- As a result, the first-year (FY13-14) impact is estimated to be one percent of the estimated recurring impact. Therefore, the decrease in excise tax collections for FY13-14 is estimated to be \$160,913 ( $\$16,091,326 \times 1.0\%$ ).

**CERTIFICATION:**

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



Lucian D. Geise, Executive Director

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