

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**CORRECTED  
FISCAL MEMORANDUM**

**SB 1464 – HB 1403**

March 25, 2014

**SUMMARY OF ORIGINAL BILL:** Requires the Comptroller of the Treasury in consultation with the Commissioner of the Alcoholic Beverage Commission (ABC) to report annually on or before March 1 to the Senate State and Local Government Committee and the House State Government Committee on the distribution of all gross receipt taxes collected pursuant to Tenn. Code Ann. § 57-4-301 (c).

**FISCAL IMPACT OF ORIGINAL BILL:**

NOT SIGNIFICANT

**SUMMARY OF AMENDMENT (014124):** Deletes all language after the enacting clause. Requires the allocation of proceeds collected from all gross receipt taxes collected for mixed drinks to be directly expended and distributed to the appropriate school fund. Applicable local government entities are authorized to negotiate an agreement for payment of owed proceeds by August 21, 2014; if by September 1, 2014 no agreement has been reached, the owing municipality is required to pay all proceeds collected since July 1, 1999, which were not remitted within ten years. Authorizes the Commissioner of Revenue to reallocate the amount of any delinquent proceeds from any state-shared taxes owed to a municipality to the applicable school fund, in the event the municipality defaults on payment of such proceeds.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

On March 25, 2014, a fiscal memorandum was issued estimating the fiscal impact as follows:

*Other Fiscal Impact – There will be a decrease in municipal revenue as well as an equal and corresponding increase in the appropriate school fund revenue; however because such shift is occurring between local government entities, the net impact to local government is estimated to be not significant.*

Due to incomplete information, this fiscal impact was in error. Based on additional information provided by the Department of Revenue, the fiscal impact is:

**(CORRECTED)**

**Increase State Expenditures - \$46,400**

**Other Fiscal Impact – There will be a decrease in municipal revenue as well as an equal and corresponding increase in the appropriate school fund revenue; however because such shift is occurring between local government entities, the net impact to local government is estimated to be not significant.**

Assumptions for the bill as amended:

- According to the Department of Revenue, the provisions of the bill as amended will not impact state collections of mix drink taxes.
- Based on information provided by the Department of Revenue, the department will require an additional accountant position in the Financial Control Section. This position will result in a recurring increase in state expenditures of \$46,364 (salary and benefits).
- The provisions of the bill as amended will result in a decrease in revenue collected by certain municipalities and an equal and corresponding increase in revenue collected by the applicable school fund.
- Due to multiple unknown variables, such as the number of municipalities currently defaulting on owed proceeds, the extent of any proceeds owed, the number of local government entities who will reach an agreement for payment of owed proceeds, the terms of any such agreement, and the extent of state-shared taxes which will be denied defaulting municipalities and reallocated to the appropriate school fund, a precise fiscal impact to local government cannot reasonably be determined. However because any such shift in funds or state-shared taxes will be occurring between local government entities, the net fiscal impact to local government is estimated to be not significant.

**CERTIFICATION:**

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



Lucian D. Geise, Executive Director

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