

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1464 – HB 1403

April 16, 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 (016780):** Deletes all language after the enacting clause. Establishes a method of remittance of gross receipt taxes owed by local political subdivisions to local school systems from July 1, 2014 to June 30, 2015 and a new remittance method beginning July 1, 2015. Requires by August 1, 2014, every city and county collecting privilege taxes authorized pursuant to Tenn. Code Ann. §57-4-301(c) to provide written notice to each school system operating within its jurisdiction. If a local political subdivision defaults on payment of any proceeds, the Comptroller of the Treasury may direct the Commissioner of Revenue to withhold future distributions of proceeds to the defaulting party. Authorizes, by August 31, 2014, certain local boards of education, municipal governing bodies, and county commissions to negotiate and enter into a binding agreement that addresses the municipality or county's responsibility to remit certain gross receipt taxes owed; if by September 1, 2014 no agreement has been reached, the applicable parties may seek equitable relief in Davidson County Chancery Court or request the Comptroller of the Treasury to undertake binding arbitration to resolve any disagreements between the parties. Any agreement entered into prior to the effective date of this bill as amended is hereby ratified. If a party fails to pursue remedies available by December 31, 2014, the party shall be barred from any other relief for proceeds received prior to July 1, 2014 that are owed. Removes applicability from any action, case, or proceeding commenced prior to June 1, 2014.

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

**Increase State Expenditures – Not Significant**

**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.
- According to the Comptroller of the Treasury and the Department of Revenue, the provisions of the bill as amended will not fiscally impact the agency or department.
- The notice required to be provided by certain local political subdivisions to local school districts is not estimated to result in any significant fiscal impact to local government.
- 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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