

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 52 – HB 559

February 23, 2013

SUMMARY OF BILL: Exempts from franchise tax, for fiscal years beginning on or after January 1, 2014, any equipment used to shred waste tires. Exempts from state and local sales tax, effective July 1, 2013, the sale of equipment used to shred waste tires.

ESTIMATED FISCAL IMPACT:

Forgone State Revenue – Exceeds \$200,000/FY13-14
Exceeds \$10,000/FY14-15 thru FY19-20

Forgone Local Revenue – Exceeds \$20,000/FY13-14

Assumptions:

- Based on information provided by the Department of Environment and Conservation, Division of Solid and Hazardous Waste Management, there are no tire shredding companies currently located in Tennessee.
- The amount of equipment used to shred waste tires currently sold in Tennessee each year is not significant. Any decrease in state and local revenue resulting from a tax exemption will be not significant. Any significant impact resulting from future purchases would be considered forgone revenue.
- According to the Department of Revenue (DOR), one tire recycling facility is expected to start operating in Tennessee in FY13-14. Therefore, it is assumed that at least one tire recycling facility will start operations in Tennessee in FY13-14.
- The fiscal impact of this bill is dependent upon several unknown factors, including but not limited to, the number of tire recycling facilities that will operate in Tennessee in the future, the extent of equipment purchased by such facilities, the sale prices of any equipment purchased, and the timing of any such equipment purchases. Given the extent of unknown factors, determining a precise fiscal impact for the bill is difficult.
- Despite the extent of unknown factors, and based on information provided by DOR, forgone state revenue is reasonably estimated to exceed \$200,000 in FY13-14, and exceed \$10,000 in FY14-15 and each subsequent year. Forgone local sales tax revenue is reasonably estimated to exceed \$20,000 in FY13-14. Forgone local sales tax revenue in FY14-15 and subsequent years is estimated to be not significant.

CERTIFICATION:

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

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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