

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 925 - HB 879

February 18, 2013

SUMMARY OF BILL: Extends, from June 1 to August 1, the due date for the occupational privilege tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Exceeds \$21,306,300/FY12-13

Decrease Local Revenue – Exceeds \$1,079,900/FY12-13

Assumptions:

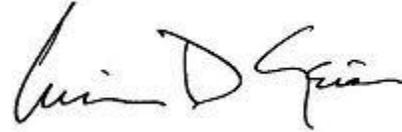
- Pursuant to Tenn. Code Ann. § 67-4-1703(a), occupational privilege tax is a \$400 tax on persons engaging in specified occupations in Tennessee, due and payable on June 1 of each year.
- Pursuant to Tenn. Code Ann. § 67-4-1701, privilege tax collections are required to be deposited to the General Fund.
- Pursuant to Tenn. Code Ann. § 67-4-1703(d), National Basketball Association (NBA) players and National Hockey League (NHL) players are subject to a \$2,500 tax per game played in Tennessee, with a three game annual cap, due and payable on June 1 of each year.
- Pursuant to Tenn. Code Ann. § 67-4-1703(e), privilege tax collections from NBA and NHL players are required to be deposited into a municipal government fund located in the municipality where the game is played.
- According to the Department of Revenue, occupational privilege tax collections, excluding collections from NBA and NHL players, were \$77,447,434 in FY11-12; occupational privilege tax collections from NBA and NHL players were \$3,926,914 in FY11-12. It is assumed that the number of persons engaging in the occupations subject to the tax will remain constant into perpetuity.
- Based on historical occupational privilege tax collections, it is estimated that 55 percent of taxes are collected between June 1 and July 31 under current law. The proposed due date extension will provide two additional months for taxpayers to pay the tax. It is estimated that at least 50 percent of taxes collected from between June 1 and July 31 under current law, will be collected between August 1 and September 30 under this bill. As a result, there will be recurring shift of occupational privilege tax revenue from one fiscal year into another fiscal year. However, these recurring shifts of revenue will

effectively cause a one-time decrease in occupational privilege tax revenue that would be collected in FY12-13 under current law.

- The one-time decrease in state revenue in FY12-13 is estimated to exceed \$21,306,294 ($\$77,447,434 \times 55\% \times 50$).
- The one-time decrease in local government revenue in FY12-13 is estimated to exceed \$1,079,901 ($\$3,926,914 \times 55\% \times 50\%$).

CERTIFICATION:

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



Lucian D. Geise, Executive Director

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