TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 1708 - HB 1679

February 9, 2014

SUMMARY OF BILL: Allocates a portion of the state sales tax revenue to a county or an industrial development corporation created by a county that acquires property from the state on or after January 1, 2014, if such property was used by the state as a correctional facility for more than 50 years, equal to the amount of state sales tax revenue derived from sales of all items and services taxed pursuant to the sales tax law on such property beginning with FY14-15. Requires the allocated amount to be applied to pay debt incurred by the county or industrial development corporation to facilitate the development of such property. Exempts any sales tax revenue derived from the tax increases from 5.5 percent to 6.0 percent, effective April 1, 1992, and from 6.0 percent to 7.0 percent, effective July 15, 2002, from allocation requirements under this bill.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – $60,400/FY14-15
$120,900/FY15-16
$181,300/FY16-17
$241,800/FY17-18
$307,300/FY18-19 and Subsequent Years

Increase Local Revenue – $60,400/FY14-15
$120,900/FY15-16
$181,300/FY16-17
$241,800/FY17-18
$307,300/FY18-19 and Subsequent Years

Assumptions:

- According to the Department of Correction's website, there are two decommissioned correctional facilities in Tennessee that operated for more than 50 years.
- Development plans are being made under current law for one of the decommissioned prisons to bring a distillery, campground, bed and breakfast, and other attractions to the site. Based on information provided by the Department of Revenue, it is estimated that such development will create 122 new jobs at the site and 385 new jobs in the county, for a total of 507 new jobs within five years. This analysis assumes a total of 500 new jobs will be created within five years, of which 122 jobs will be direct new jobs at the development site.

- It is further estimated that such development will create $8,000,000 in payroll for the 500 new jobs created, for an average payroll per new job of $16,000 ($8,000,000 / 500).
- In FY13-14, no new jobs will be created; in FY14-15, 24 new direct jobs will be created with $384,000 in payroll ($16,000 x 24); in FY15-16, 48 new direct jobs will be created with $768,000 in payroll ($16,000 x 48); in FY16-17, 72 new direct jobs will be created with $1,152,000 in payroll ($16,000 x 72); in FY17-18, 96 new direct jobs will be created with $1,536,000 in payroll ($16,000 x 96); and in FY18-19 and subsequent years, 122 new direct jobs will be created with $1,952,000 in payroll ($16,000 x 122).
- Payroll costs for the proposed industries will be 30 percent of gross revenue. Ninety percent of such gross revenue will be subject to the state and local sales tax.
- Gross revenue subject to the state and local sales tax is estimated to be: $1,152,000 [($384,000 / 30%) x 90%] in FY14-15; $2,304,000 [($768,000 / 30%) x 90%] in FY15-16; $3,456,000 [($1,152,000 / 30%) x 90%] in FY16-17; $4,608,000 [($1,536,000 / 30%) x 90%] in FY17-18; and $5,856,000 ($1,952,000 / 30% x 90%) in FY18-19 and subsequent years.
- No sales tax collections derived from the tax increases from 5.5 percent to 6.0 percent, effective April 1, 1992, and from 6.0 percent to 7.0 percent, effective July 15, 2002, shall be apportioned pursuant to this bill.
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.603 percent of state sales tax revenue as state-shared sales tax revenue.
- The state revenue that will be allocated to the local government, pursuant to this bill, to be applied to pay debt incurred by a county or industrial development corporation to facilitate the development of the property is estimated to be:
    - $60,444 [($1,152,000 x 5.5%) – ($1,152,000 x 5.5% x 4.603%)] in FY14-15;
    - $120,887 [($2,304,000 x 5.5%) – ($2,304,000 x 5.5% x 4.603%)] in FY15-16;
    - $181,331 [($3,456,000 x 5.5%) – ($3,456,000 x 5.5% x 4.603%)] in FY16-17;
    - $241,774 [($4,608,000 x 5.5%) – ($4,608,000 x 5.5% x 4.603%)] in FY17-18;
    - $307,255 [($5,856,000 x 5.5%) – ($5,856,000 x 5.5% x 4.603%)] in FY18-19 and subsequent years.
- The second decommissioned correctional facility shall not be acquired by a county or industrial development corporation created by a county as a direct result of this bill.

CERTIFICATION:

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

Lucian D. Geise, Executive Director

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