

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**CORRECTED  
FISCAL NOTE**

**HB 570 - SB 665**

April 10, 2015

**SUMMARY OF BILL:** Exempts from franchise and excise (F&E) tax any owner, lessee, or any entity that directly or indirectly owns an interest in a qualified low-income community historic structure (QHS). Defines QHS to mean a certified historic structure, located in a low income community, and with respect to which more than \$100,000,000 of qualified rehabilitation expenditures are incurred after January 1, 2015.

**ESTIMATED FISCAL IMPACT:**

On March 12, 2015, a fiscal note was issued estimating a fiscal impact as follows:

*Decrease State Revenue – \$2,087,500/FY17-18  
\$1,670,000/FY18-19 and Subsequent Years*

Based on additional information provided by impacted entities, the fiscal impact has been modified to accurately reflect all available information. The estimated fiscal impact is:

**(CORRECTED)**

**Decrease State Revenue – \$475,000/FY17-18  
\$463,000/FY18-19 and Subsequent Years**

Corrected Assumptions:

- Based on the Department of Revenue's analysis, it is determined that there is currently only one rehabilitation project that fits the criteria for the F&E exemption established by the proposed legislation. The fiscal analysis is based on the assumption that only one QHS will qualify for the proposed F&E tax exemption.
- The expenditures for this project are reported to be \$200,000,000. Of this, \$178,000,000 is assumed to be qualified rehabilitation expenditures.
- Based on projections from the project owner's accountants, the project owner will not owe any Tennessee excise tax at least through FY20-21 due to significant anticipated net losses.
- It is further reported that the franchise tax liability for the project owner is estimated to be \$475,000 in FY17-18, and \$463,000 in FY18-19, with expected declines in subsequent years as a result of the decreasing book value of the project owner's assets. However, since it is expected that the project owner will begin incurring excise tax

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liability in the future, the total F&E tax liability for FY18-19 and subsequent years is assumed to be \$463,000.

**CERTIFICATION:**

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

A handwritten signature in black ink that reads "Jeffrey L. Spalding". The signature is written in a cursive style with a large, looped initial "J".

Jeffrey L. Spalding, Executive Director

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