

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1320 - SB 1333

March 6, 2015

SUMMARY OF BILL: Classifies co-generation equipment that is purchased or leased by a qualified manufacturing facility that is used for generating, producing, and distributing utility service directly to the qualified manufacturing facility, as industrial machinery for the purpose of sales and use tax exemption and franchise and excise (F&E) tax credits. Defines a qualified manufacturing facility as a manufacturing facility located within a nonattainment area, as designated by the Environmental Protection Agency, in Loudon County, that significantly reduces pollution particulate matter and makes a capital investment exceeding \$30,000,000. Establishes that the provisions of this bill apply only to co-generation equipment used for the local production of power and will expire on January 1, 2016.

ESTIMATED FISCAL IMPACT:

NOT SIGNIFICANT

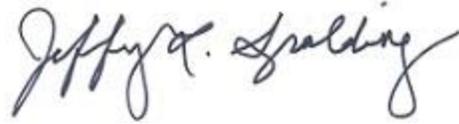
Assumptions:

- Pursuant to Tenn. Code Ann. § 67-6-206(a), industrial machinery is exempt from state and local sales and use taxes.
- Further, pursuant to Tenn. Code Ann. § 67-4-2009(3)(A), a tax credit equal to one percent of the purchase price of industrial machinery is allowed against F&E taxes for qualified taxpayers who make a capital investment of \$100,000,000 or less. Such credit shall not exceed 50 percent of the combined F&E tax liability and any unused credit may be carried forward for up to 15 years.
- Under current law, pursuant to Tenn. Code Ann. § 67-6-102(44)(D)(i), machines used for generating, producing, and distributing utility services, electricity, steam, and treated or untreated water is classified as industrial machinery and, therefore, the Department of Revenue says the equipment affected by this bill is already exempt from sales and use taxes and eligible for F&E tax credits.
- As a result, based on this interpretation by the Department of Revenue, there is no impact on state and local government revenue.

CERTIFICATION:

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

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Jeffrey L. Spalding, Executive Director

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