

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**CORRECTED  
FISCAL NOTE**

**HB 1664 - SB 1633**

March 6, 2016

**SUMMARY OF BILL:** Repeals the four-year property tax exemption for rural electric cooperatives on newly-constructed cooperative facilities and plants. Requires cooperatives to maintain possession of abandoned property for a length of time determined by statutory requirements. Sets forth distribution options of unclaimed abandoned property available to cooperatives after a period of 18 months.

**ESTIMATED FISCAL IMPACT:**

On February 1, 2016, a fiscal note was issued for this bill with an estimated fiscal impact as follows:

*Increase Local Revenue – Exceeds \$20,000/Per Project*

On March 4, 2016 additional information was received from the Treasurer's Office relative to the return of funds to the rural electric cooperatives. Based on this information, the fiscal impact, related assumptions, and the commerce impact statement have been revised. The corrected fiscal impact, including the impact to commerce, is estimated as follows:

**(CORRECTED)**

**Increase State Expenditures - \$31,300/FY16-17/State Treasurer**

**Increase Local Revenue –**

**Exceeds \$20,000/Per Project/Property Tax Assessors**

**Other Fiscal Impact – An average of \$139,800 has been remitted annually to the Unclaimed Property Division from electric cooperatives. Under the provisions of the bill, this property will not be remitted to the state but will be distributed after 18 months by the electric cooperatives.**

Corrected Assumptions Relative to Unclaimed Property:

- Pursuant to Tenn. Code Ann. § 66-29-113, electric cooperatives that hold funds or property that is presumed to be abandoned shall file a report with the State Treasurer's office and remit such funds to the Treasurer.

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- Based on information from the Treasurer’s office, electric cooperatives remitted an average of \$139,800 to the Treasurer’s office for unclaimed properties over the last five fiscal years.
- These funds remain with the Department of Treasury until the rightful owner is found. Any decrease in expenditures to the department for no longer finding the owner of this property is estimated to be not significant.
- Electric cooperatives will no longer be required to remit funds received from unclaimed property to the Treasurer beginning in FY16-17.
- The Treasurer’s Office will modify its existing computer system so that the system will no longer automatically collect funds with the submission of the unclaimed property reports filed by the electric cooperatives. This modification will require a one-time increase in state expenditures of \$31,250 in FY16-17.
- Any permissive local impact as a result of electric cooperatives distributing abandoned property after a period of 18 months is estimated to be not significant.

Assumptions Relative to Repeal of Tax Credit:

- The section of the bill applicable to the cooperative four-year temporary tax credit is only applicable to local government.
- Based on information from Tennessee Electric Cooperative Association’s website, there are 23 electric cooperatives in Tennessee.
- At least one electric cooperative is planning to build a new headquarters that would qualify under current law for the current four-year tax exemption.
- The extent of any local property taxes that would be paid on any newly-constructed electric cooperative facility or plant is unknown and dependent on specifics related to any such new facility; however, such amount is reasonably estimated to exceed \$5,000 per year.
- Therefore, the repeal on the current four-year electric cooperative property tax exemption is reasonably estimated to generate an increase in local revenue of at least \$5,000 per fiscal year for each of the four years following completed construction; a total estimated to exceed \$20,000 per project.

**IMPACT TO COMMERCE:**

**(CORRECTED)**

**Increase Business Revenue – \$31,300/One -Time  
Exceeds \$20,000/Per Project**

**Increase Business Expenditures – Exceeds \$20,000/Per Project**

Assumption:

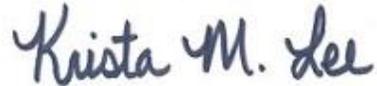
- Cooperatives will utilize a customer rate increase to offset the local property taxes due on newly constructed facilities and plants. The total increase in expenditures and

revenue to electric cooperatives is estimated to exceed \$20,000 per project over the four year period after construction.

- The bill will result in a one-time increase in business revenue of \$31,300 to the third party vendor that contracts with the Treasury Office to perform the required system modifications.

**CERTIFICATION:**

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

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/amj