

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1962 - SB 2587

March 12, 2016

SUMMARY OF BILL: Authorizes a franchise and excise (F&E) tax credit equal to two percent of qualified transportation expenditures of any shipper that establishes a uniform and internal turn-around policy for assuring that pickups and deliveries are performed during the period of time agreed upon by a motor carrier and a shipper and for preventing delays in the timely transportation of goods over the public highways. Prohibits the credit from exceeding 50 percent of the combined F&E tax liability in any given year. Defines “qualified transportation expenditures” as total charges incurred by a shipper for line haul services, transportation services, and accessorial services performed by a motor carrier for shipments picked up at points of origination within this state or delivered to final destinations within this state.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Exceeds \$13,901,800/FY17-18 and Subsequent Years

Increase State Expenditures – \$1,455,900/FY17-18

\$1,376,200/FY18-19 and Subsequent Years

Other Fiscal Impact – Secondary economic impacts may occur as a result of this bill. Such impacts may be reflected as improvements in shipment delivery times for Tennessee businesses, an increase in the state’s competitiveness in retaining existing shipping companies and recruiting other shipping companies to locate in the state, and additional commercial activity in the state as a result of qualified companies reinvesting their savings in the state’s economy. Due to multiple unknown factors, fiscal impacts directly attributable to such secondary impacts cannot be quantified with reasonable certainty.

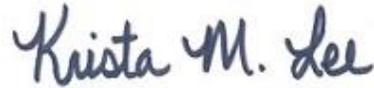
Assumptions:

- The Department of Revenue reports that freight trucking sales for general freight trucking companies were \$1,893,776,000 in FY14-15; such sales for specialized freight trucking companies were \$886,589,000 in FY14-15.
- Total freight trucking sales for the purposes of this fiscal note are assumed to be \$2,780,365,000 in any given year (\$1,893,776,000 + \$886,589,000).

- At least 50 percent of these companies will qualify and receive the F&E tax credit. At least 50 percent of such sales represent qualified transportation expenditures as defined by this bill.
- The resulting recurring decrease in state revenue is estimated to exceed \$13,901,825 ($\$2,780,365,000 \times 50.0\% \times 50.0\% \times 2.0\%$). The first year impacted by this bill will be FY17-18.
- The Department reports that 16 new audit positions will be required for the implementation of this bill. The one-time increase in state expenditures associated with such positions will be \$79,700; the recurring increase in state expenditures will be \$1,376,163.
- The total increase in state expenditures is estimated to be \$1,455,863 in FY17-18 ($\$79,700 + \$1,376,163$), and \$1,376,163 in FY18-19 and subsequent years.

CERTIFICATION:

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



Krista M. Lee, Executive Director

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