

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2407 - SB 2613

March 4, 2018

SUMMARY OF BILL: Prevents a taxpayer from claiming an industrial machinery franchise and excise (F&E) tax credit if the taxpayer's purchase of such machinery will result in a net loss of full-time employees for the taxpayer.

ESTIMATED FISCAL IMPACT:

NOT SIGNIFICANT

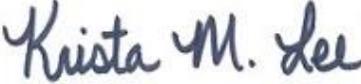
Assumptions:

- Pursuant to Tenn. Code Ann. § 67-4-2009(3), the industrial machinery F&E tax credit ranges from one to ten percent of the purchase price of the qualified industrial machinery based on certain factors.
- Industrial machinery tax credits can be used to offset up to 50 percent of a taxpayer's F&E tax liability and can be carried forward for 15 years.
- According to a report commissioned by the Department of Economic and Community Development and Department of Revenue (*The Economic Impact of Business Tax Credits in Tennessee*; Anderson Economic Group, LLC, December 26, 2016), approximately \$404,100,000 in industrial machinery F&E tax credits has been awarded from 2011 to 2014, for an annual average award amount of \$101,025,000.
- This legislation will prohibit taxpayers from receiving such F&E tax credits if the purchased machinery will result in a net loss in number of the taxpayer's full-time employees.
- Information required to make determinations whether any job losses are a direct result of industrial machinery purchases is not readily available. Information contained in federal income tax returns or state unemployment reports is not sufficient in making an accurate determination.
- Due to the difficulty in administering the proposed legislation and accurately determining whether any job losses are a direct result of industrial machinery purchases, it is estimated that the proposed legislation will not result in a significant decrease in industrial machinery F&E tax credit requests or the amount of such credits awarded and claimed in any given year.

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CERTIFICATION:

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

Handwritten signature of Krista M. Lee in blue ink.

Krista M. Lee, Executive Director

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