

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 708 - HB 1269

March 23, 2019

SUMMARY OF ORIGINAL BILL: Exempts certain lessees from property taxes assessed on land leased from governmental entities if payments in lieu of taxes are made to the owning governmental entity.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact -- A recurring shift in local government revenue to state and local governmental entities exceeding \$2,720,400.

SUMMARY OF AMENDMENT (006478): Deletes and rewrites all language after the enacting clause such that the substantive changes are: (1) limits the scope of applicability to only agreements entered into or amended on or after July 1, 2019 regarding land leased from local government entities; and (2) removes the requirement that payment in lieu of tax (PILOT) agreements are in an amount equal to the ad valorem taxes due.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – A recurring shift of revenue will occur between local government entities, the extent and timing of which is unknown. Any net impact to local revenue is considered not significant.

Assumptions for the bill as amended:

- The proposed legislation:
 - Exempts lessees from payment of certain property taxes if the lessee makes PILOTs to the owning local governmental entity.
 - Only applies to PILOT agreements entered into or amended on or after July 1, 2019.
 - Does not require such payments to be in an amount equal to the ad valorem taxes due on the property.

- To the extent a PILOT agreement is made for less than the amount due for ad valorem taxes, it will result in a net decrease in local government revenue, the extent and timing of which cannot reasonably be determined. A PILOT agreement with this outcome is considered unlikely.
- To the extent a PILOT agreement is made in an amount equal to the ad valorem taxes which would have otherwise been due, it will result in a shift between local government entities; therefore, the net impact to local government is considered not significant.

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

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