

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 12 – SB 433

February 6, 2019

SUMMARY OF BILL: Prohibits local governments from requiring a license, permit, or imposing regulations for certain businesses and from charging any fee for certain home-based businesses.

ESTIMATED FISCAL IMPACT:

Decrease Local Revenue -- Exceeds \$429,500

Assumptions:

- The proposed legislation restricts fees, permitting, and licensing required by local governments; business taxes and permitting required by state government entities are not impacted.
- The proposed legislation would prohibit counties and municipalities from requiring a license, a permit, or any other form of regulation for a business which is only operated occasionally and by a person who is under the age of 18.
- Counties and municipalities will be prohibited from charging any fee for a home-based business, unless the combined offsite impact and the primary residential use materially exceed the offsite impact of the primary residential use alone pursuant to the proposed legislation.
- Tenn. Code Ann. § 67-4-723 stipulates the following regarding business licenses:
 - Persons applying for a business license for businesses located outside municipal boundaries are required to submit a license application to the county clerk and remit a one-time \$15 application fee. The county maintains the application fee.
 - Persons applying for a business license for businesses located within municipal boundaries are required to apply with the appropriate city official and remit a one-time \$15 application fee. The municipality maintains the application fee.
 - For businesses which have annual sales more than \$3,000 but less than \$10,000, a minimal activity license is required. This license is in lieu of a business license. Minimal activity licenses must be renewed annually at a cost of \$15 each year, paid to the respective local official. The collecting local government maintains the application fee.
 - Businesses making less than \$3,000 in annual sales are not required to obtain a business license or minimal activity license.

- Tenn. Code Ann. § 67-4-710 provides the following:
 - Local governments are authorized to charge a fee of \$50 for transient vendor licenses. Each license is issued for a 14-day period which a transient vendor is selling or offering to sell merchandise from a temporary public location.
- Based on information provided by the Department of Revenue, in 2018 county clerks reported the following license applications processed within the county:
 - 48,891 business license applications
 - 8,075 minimal activity license applications
 - 720 transient vendor license applications
- The total number of annual license applications processed locally is estimated to remain constant.
- Based on 2017 United States Census data, over 50 percent of Tennessee’s population resides within incorporated municipal boundaries; therefore it is reasonably estimated that the same number of license applications are processed by municipalities.
- The proposed language does not define “home-based business”; however it is reasonably estimated that 10 percent of all business license holders, at least 90 percent of minimal activity license holders, and at least 90 percent of transient vendors will qualify as a home-based business under the provisions of the proposed legislation.
- The proposed legislation will result in approximately 24,313 $\{[(48,891 \text{ business licenses} \times 10\%) \times 2 \text{ (counties and municipalities)}] + [(8,075 \text{ minimal activity licenses} \times 90\%) \times 2 \text{ (counties and municipalities)}]\}$ license applicants no longer paying a \$15 application fee to local governments annually.
- Approximately 1,296 $[(720 \text{ transient vendors} \times 90\%) \times 2 \text{ (counties and municipalities)}]$ transient vendors will no longer be required to pay the \$50 fee to local officials.
- The proposed language will result in a recurring decrease in local revenue estimated to exceed \$429,495 $[(24,313 \text{ application} \times \$15 \text{ fee}) + (1,296 \text{ vendors} \times \$50 \text{ fee})]$ statewide.

IMPACT TO COMMERCE:

Decrease Business Expenditures -- Exceeds \$429,500

Assumptions:

- The proposed language will result in certain businesses no longer being required to remit \$15 for business licenses or \$50 for fees assessed by local governments.
- Removing such fees is estimated to result in a recurring decrease in business expenditures estimated to exceed \$429,495 annually.
- The proposed legislation will not result in any significant impact to jobs in Tennessee.

CERTIFICATION:

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

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive style with a large initial 'K' and 'C'.

Krista Lee Carsner, Executive Director

/jrh