



February 28, 2020

SUMMARY OF BILL: Creates a sales and use tax exemption for any qualified business expenses for a ten year period and a franchise and excise (F&E) tax credit for manufacturing facilities or other facilities that relocate to a Tennessee Special Economic Zone (TSEZ) in Jackson County. Requires the TSEZ to be no larger than a 5,000 acre parcel of land.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - Exceeds \$3,000,000/FY20-21 and Subsequent Years

Decrease Local Revenue - Exceeds \$375,000/FY20-21 and Subsequent Years

Other Fiscal Impact – To the extent an out-of-state business relocates into the Special Economic Zone, there will be recurring foregone state F&E and sales and use tax revenue as well as local sales and use tax revenue. In addition, increases in other state and local tax revenue may occur. Any such impacts are dependent on multiple unknown factors and cannot be determined with reasonable certainty.

Assumptions:

- Because there are no geographical restrictions regarding where the relocating business comes from, it is possible that businesses in surrounding Tennessee counties would take advantage of this opportunity, thus decreasing the local revenue and economic impact in the businesses county of origin.
- The decrease in state and local revenue related to the sales and use tax exemption for any specific business will last for a period of 10 years.
- It is assumed that the F&E tax credits will be permanent.
- The precise impact resulting from F&E tax credits and sales and use exemptions in any given fiscal year is subject to the number, size, type, and processes of businesses that move to the TSEZ, the current and future activity of such businesses, and the extent to which such businesses currently qualify for various state and local tax exemptions.
- It is reasonably assumed that at least a portion of businesses relocating to Jackson County will be relocating from other counties within the state or will represent businesses with current tax liability to the state. Therefore, the proposed legislation will result in a decrease in state tax and local tax revenue.

- The amount and timing of any such decrease is unknown; however, for the purposes of this fiscal analysis the total decrease in state tax revenue is estimated to exceed \$3,000,000 in FY20-21 and subsequent years and the total decrease in local tax revenue is estimated to exceed \$375,000 in FY20-21 and subsequent years.
- In the event a business relocates from out of state, there will be recurring foregone state F&E and sales and use tax revenue as well as local sales and use tax revenue. In addition, there may be an increase in other state and local tax revenue. Any such impact is dependent on multiple unknown factors and cannot be reasonably determined.

IMPACT TO COMMERCE:

Decrease Business Expenditures –

Exceeds \$3,375,000/FY20-21 and Subsequent Years

Other Commerce Impact – The extent to which relocating businesses will result in additional job creation within the state cannot be quantified with reasonable certainty.

Assumptions:

- The proposed legislation is estimated to result in a recurring decrease in business expenditures exceeding \$3,375,000, beginning in FY20-21.
- The extent to which relocating businesses will result in additional job creation within the state cannot be determined with reasonable certainty.

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

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