

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2528 - SB 2612

February 22, 2020

SUMMARY OF BILL: Enacts a 6.25 percent tax on all stock purchases made by any person who has a legal domicile in the state of Tennessee. Exempts purchases made for retirement accounts.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – \$250,074,800/FY20-21 and Subsequent Years

Increase State Expenditures – \$15,400/FY20-21

Assumptions:

- Based information provided by the Department of Revenue on the Hall Income Tax collections for tax year 2018, the total income from dividends paid to persons domiciled in Tennessee is estimated to be \$8,002,392,594.
- It is assumed that the average dividend payment is two percent, making the estimated total price of all stocks for persons domiciled in Tennessee \$400,119,629,700 (\$8,002,392,594 / 2%).
- It is estimated that one percent of these stocks, or \$4,001,196,297 (\$400,119,629,700 x 1%), are purchased annually.
- Any growth on estimated stock purchases since 2018 will be offset by a decrease in stock purchases due to the higher price resulting from the newly created tax.
- It is therefore estimated that the recurring increase in state revenue as a result of the proposed legislation is \$250,074,769 (\$4,001,196,297 x 6.25%). It is assumed that such revenue will be deposited in the General Fund.
- A one-time increase in state expenditures in FY20-21 for software is estimated to be \$15,420 in FY20-21.
- To the extent that the proposed legislation would apply to the Tennessee Consolidated Retirement System and other funds for which Department of Treasury's employees provide investment services (Tennessee Promise Trust, Chairs of Excellence Endowment Fund, and Other Post Employment Benefit Trust), there would be additional increases in state expenditures and corresponding increases in state revenue. For the purposes of this fiscal analysis, it is assumed that such funds will be exempt from the provisions of this legislation.

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, flowing style.

Krista Lee Carsner, Executive Director

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