

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 421 - HB 417**

March 9, 2019

**SUMMARY OF BILL:** Gradually exempts, over a three-year period, the amusement tax levied on the sales price of tickets for admission to an intercollegiate athletic event hosted by a college or university, by exempting one-third of the sale price in FY19-20, two-thirds in FY20-21, and a complete exemption in FY21-22 and subsequent years.

Stipulates that such colleges and universities are required to use proceeds from ticket sales for expenses, including but not limited to, repairs, maintenance, renovation, debt service, scholarships for student athletes, and costs associated with Title IX of the Education Amendments of 1972 (20 U.S.C. § 1681) compliance.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue –**

**Exceeds \$1,422,400/FY19-20/Public University Athletics**

**Exceeds \$2,844,700/FY20-21/Public University Athletics**

**Exceeds \$4,267,100/FY21-22 and Subsequent Years/Public University Athletics**

**Decrease State Revenue – Exceeds \$1,379,100/FY19-20/General Fund**

**Exceeds \$2,758,100/FY20-21/General Fund**

**Exceeds \$4,137,100/FY21-22 and Subsequent Years/General Fund**

**Decrease Local Revenue – Exceeds \$562,800/FY19-20**

**Exceeds \$1,125,500/FY20-21**

**Exceeds \$1,688,300/FY21-22 and Subsequent Years**

**Other Fiscal Impact – Private universities will receive an amount exceeding \$519,500 in FY19-20; an amount exceeding \$1,038,900 in FY20-21; and amounts exceeding \$1,558,300 in FY21-22 and subsequent years.**

Assumptions:

- Based on information provided by the Department of Revenue, total statewide ticket sales to such sporting events are estimated to exceed \$61,320,067. This amount is estimated to remain constant into perpetuity.

- Pursuant to Tenn. Code Ann. § 67-6-212(a), the amusement tax is equal to the state sales and use tax levied on the sale of tangible personal property at retail, which is 7.0 percent pursuant to Tenn. Code Ann. § 67-6-202. For purposes of this fiscal note amusement tax and state sales and use tax have the same meaning.
- Pursuant to Tenn. Code Ann. § 67-6-702(a)(1), any county, by resolution of its county legislative body, or any incorporated city or town, by ordinance of its governing body, is authorized to levy a tax (a local option sales tax) on the same privileges subject to this chapter as the chapter may be amended, that are exercised within such county, city or town, to be levied and collected in the same manner and on all such privileges.
- Given this legislation gradually removes authorization for the state to levy the state sales tax against the ticket sales, local governments will be required to gradually and proportionally reduce the levy of a local option sales tax on such ticket sales.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The recurring decrease in state sales tax revenue to the General Fund is estimated to be \$4,137,149 [(\$61,320,067 x 7.0%) – (\$61,320,067 x 7.0% x 3.617%)].
- The recurring decrease in local sales tax revenue is estimated to be \$1,688,258 [(\$61,320,067 x 2.5%) + (\$61,320,067 x 7.0% x 3.617%)].
- This legislation gradually exempts such ticket sales from the amusement tax, beginning with exemptions for 1/3 of such taxable sales in FY19-20, 2/3 of such taxable sales in FY20-21, and full exemption beginning in FY21-22.
- In FY19-20, a decrease in state revenue to the General Fund to exceed \$1,379,050 (\$4,137,149 x 33.33%); and a decrease in local revenue to exceed \$562,753 (\$1,688,258 x 33.33%).
- In FY20-21, a decrease in state revenue to the General Fund to exceed \$2,758,099 (\$4,137,149 x 66.66%); and a decrease in local revenue to exceed \$1,125,505 (\$1,688,258 x 66.66%).
- In FY21-22 and subsequent years, a recurring decrease in state revenue to the General Fund exceeding \$4,137,149; and recurring decrease in local revenue to exceed \$1,688,258.
- It is assumed that state and local sales and use tax is currently included in the face price of a ticket.
- It is assumed that any exemption from state and local sales and use tax will not result in a decrease in the price of tickets across affected universities, but rather, the universities will collect and retain additional amounts of revenue equal to the decreases in state revenue to the General Fund and the decreases in local revenue. Therefore, an increase in state revenue to higher education institutions across the state.
- According to the Tennessee Independent Colleges and Universities Association’s 2019 report entitled “Private Colleges Serving Tennessee 2019,” there are approximately 81,000 students enrolled at Tennessee private colleges and universities.
- Based on information provided on the Tennessee Higher Education Commission’s website, there are approximately 221,775 students across the state enrolled in community colleges and public universities for the 2018-2019 academic year.
- Public universities across this state account for approximately 73.25 percent of all higher education students in Tennessee [221,775 / (81,000 + 221,775)].

- This legislation stipulates that all proceeds from ticket sales are to be used for expenses, including but not limited to, repairs, maintenance, renovation, debt service, scholarships for student athletes, and costs associated with Title IX of the Education Amendments of 1972 (20 U.S.C. § 1681) compliance.
- In FY19-20, an increase in state revenue to Tennessee public universities estimated to exceed \$1,422,371 [(\$1,379,050 + \$562,753) x 73.25%].
- In FY20-21, an increase in state revenue to Tennessee public universities estimated to exceed \$2,844,740 [(\$2,758,099 + \$1,125,505) x 73.25%].
- In FY21-22 and subsequent years, an increase in state revenue to Tennessee public universities estimated to exceed \$4,267,111 [(\$4,137,149 + \$1,688,258) x 73.25%].
- Private universities are assumed to receive an amount exceeding \$519,432 [(\$1,379,050 + \$562,753) - \$1,422,371] in FY19-20; an amount exceeding \$1,038,864 [(\$2,758,099 + \$1,125,505) - \$2,844,740] in FY20-21; and amounts exceeding \$1,558,296 [(\$4,137,149 + \$1,688,258) - \$4,267,111] in FY21-22 and subsequent years.

**CERTIFICATION:**

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



Krista Lee Carsner, Executive Director

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