TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

CORRECTED FISCAL NOTE

SB 1122 - HB 1312

April 17, 2019

SUMMARY OF BILL: Extends the date, from June 30, 2015, to June 30, 2019, by which a municipality must have passed a resolution by its respective legislative body, on a one-time basis, of property or properties initially included in a certified border region retail tourism district (district). Establishes that any successful resolution shall result in such property or properties being treated as if such property or properties were never included in any such district for purposes of calculating base tax revenues in such district, beginning with the fiscal year ending June 30, 2019, and such affected municipality shall not be entitled to receive any future incremental increases in tax revenues relating to businesses located on such excluded property or properties. Stipulates that any such resolution shall not affect any prior distribution of tax revenues for any such affected district for any fiscal year ending on or before June 30, 2018.

Establishes, that should any municipality elected to exclude property or properties from a respective district, an adjacent property or adjacent properties are eligible to be included in the certified district in a total acreage amount less than or equal to the total acreage of those properties excluded. Such an election to add additional properties must be designated by resolution of the respective municipal legislative body. Any election to add such adjacent properties shall not impact any prior distribution relating to such district for any fiscal year ending on or before June 30, 2018.

ESTIMATED FISCAL IMPACT:

On March 10, 2019, a fiscal note was issued estimating a fiscal impact as follows:

> *Other Fiscal Impact – Passage of this legislation will result in direct impacts to state and local tax revenue. The timing, extent, and direction of any state revenue impact are unknown. In addition, the timing and extent of any permissive increase in local revenue is unknown. Further, passage of this legislation will result in indirect secondary economic impacts. Due to multiple unknown factors, the fiscal impact of this legislation cannot be determined with reasonable certainty.*

Based on additional information provided by affected parties, the fiscal impact has been corrected. The estimated fiscal impact is as follows:

(CORRECTED)

NOT SIGNIFICANT

Corrected Assumptions:

- Pursuant to Tenn. Code Ann. § 7-40-106(a), if a municipality or industrial development corporation finances, constructs, leases, equips, renovates, assists, incents, or acquires an extraordinary retail or tourism facility or a project in a certified district, then 75 percent of state sales and use tax collected in the district in excess of base tax revenues shall be apportioned and distributed to the municipality in an amount equal to the incremental increase in state sales and use taxes derived from the sale of goods, products, and services within the district in excess of base tax revenues.
- Pursuant to Tenn. Code Ann. § 7-40-106(b), apportionment and distribution of such taxes shall continue for a period of 30 years, or until the date on which all the cost of the economic development project, including any principal and interest on indebtedness, including refunding indebtedness of the municipality or industrial development corporation related to the development of the project have been fully paid, whichever occurs first.
- The apportionment of such taxes shall only take place if the Commissioner of Department of Revenue (DOR), with approval by the Commissioner of the Department of Economic and Community Development, determine that such allocation of state sales tax is in the best interest of the state. Best interest of the state means a determination that the economic development project or extraordinary retail or tourism facility within the district is a result of the special allocation and distribution of state sales tax, and the district is a result of the project or extraordinary retail or tourism facility.
- This program certified three cities prior to the January 1, 2012 deadline (Kingsport, Bristol, and East Ridge).
- The proposed legislation will allow any such city to exclude a property from a district by June 30, 2019, and replace it with an adjacent property.
- Based on information provided by the Office of the Mayor of Kingsport, it is assumed that the city of Kingsport will take such action. However, the adjacent property that will become part of the district currently does not have any business or income generating activity.
- Therefore, any impact on state or local revenue is estimated to be not significant.

CERTIFICATION:

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

Krista Lee Carsner RVC

Krista Lee Carsner, Executive Director

/jdb