

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1949 - HB 2538

February 26, 2020

SUMMARY OF BILL: Exempts from the sales and use tax, water sold from a public utility to a consumer for residential use.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact –
\$41,748,400/FY20-21 and Subsequent Years

Decrease Local Revenue – Net Impact –
\$16,655,200/FY20-21 and Subsequent Years

Assumptions:

- According to the Department of Revenue (DOR) \$43,816,809 of state revenue and \$17,499,233 of local revenue was collected from sales and use tax on residential water sales.
- It is therefore estimated that the recurring decrease in state revenue beginning in FY20-21 will be \$43,816,809, and the recurring decrease in local revenue will be \$17,499,233 beginning in FY20-21.
- Fifty percent of tax savings, or \$30,658,021 $[(\$43,816,809 + \$17,499,233) \times 50\%]$ will be spent in the economy on other sales-taxable goods and services.
- 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 increase, beginning in FY20-21 in state revenue as a result of the proposed legislation will be \$2,068,438 $[(\$30,658,021 \times 7.0\%) - (\$30,658,021 \times 7.0\% \times 3.617\%)]$.
- The recurring increase, beginning in FY20-21 in local revenue as a result of the proposed legislation will be \$844,074 $[(\$30,658,021 \times 2.5\%) + (\$30,658,021 \times 7.0\% \times 3.617\%)]$.
- The total net recurring decrease in state revenue is therefore estimated to be \$41,748,371 $(\$43,816,809 - \$2,068,438)$.
- The total net recurring decrease in local revenue is therefore estimated to be \$16,655,159 $(\$17,499,233 - \$844,074)$.

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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