

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2410 - HB 2593

March 3, 2020

SUMMARY OF BILL: Defines terms associated with the production of electricity through the burning of natural gas and coal. Requires electricity providers to apply to the Technical Secretary of the Air Pollution Control Board each year. Establishes how electricity providers' carbon dioxide emissions are to be calculated and issued to them by the Technical Secretary. Requires each electricity provider to pay a \$10.00 privilege tax on each metric ton of carbon dioxide emissions emitted in the excess of 500,000 metric tons that the electricity provider delivered in this state during the previous calendar year. Requires 60 percent of collections to be apportioned to the General Fund and 40 percent to go to the local municipality where the taxpayers' principal place of business is. Requires the tax to be paid on or before July 1 of each year.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue - \$35,757,200/FY20-21 and Subsequent Years
\$15,400/FY20-21/STS**

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

Increase Local Revenue - \$23,838,100/FY20-21 and Subsequent Years

Assumptions:

- According to the Tennessee Municipal Electric Power Association (TMEPA) there are 3,600,000 electric customers in Tennessee.
- According to a study by the Division of Economics and Business of the Colorado School of Mines, a \$25 per ton carbon tax in Tennessee would produce \$559,000,000 in tax revenue annually.
- It is therefore estimated that the annual total amount of carbon dioxide emissions for electricity delivered to consumers in Tennessee is 22,360,000 tons (\$559,000,000 / \$25), making the average per customer to be 6.21 tons (22,360,000 / 3,600,000).
- It is therefore estimated that an electricity provider would need at least 80,515 (500,000 / 6.21) customers for their carbon emissions to exceed the 500,000 minimum.
- Based on information from the Tennessee Valley Authority (TVA) it is estimated that there are at least six electric providers in Tennessee with more than 80,515 customers.
- According to the Department of Revenue (DOR) it is estimated that these six electric providers would generate \$59,595,333 annually, resulting in a recurring increase in state

revenue of \$35,757,200 ($\$59,595,333 \times 60\%$) attributable to the General Fund beginning in FY20-21 and a recurring increase in local revenue of \$23,838,133 ($\$59,595,333 \times 40\%$) beginning in FY20-21.

- It is estimated that as a result of the proposed legislation DOR would have a one-time increase in expenditures of \$15,400 for software improvements, with a corresponding increase in revenue to Strategic Technology Solutions (STS).

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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