



February 21, 2022

SUMMARY OF BILL: Exempts retired professionals from the occupational privilege tax. Clarifies that retired professionals who conduct uncompensated volunteer work in their former profession are not subjected to the occupational privilege tax. Applies to taxes due and payable on or after June 1, 2022.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$584,000/FY21-22 and Subsequent Years

Increase Local Revenue – \$8,300/FY21-22 and Subsequent Years

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-4-1703(a), the occupational privilege tax is a \$400 tax on persons engaging in specified occupations in Tennessee, due and payable on June 1 of each year. Due to the effective date of this legislation, the first impacted year will be FY21-22.
- According to the Department of Revenue (DOR), there were 201,441 occupational privilege taxpayers in FY20-21. This number is assumed to remain constant in perpetuity.
- The number of retired occupational privilege taxpayers is unknown, as the DOR and the Department of Commerce and Insurance cannot segregate retired and working occupational privilege taxpayers.
- It can be reasonably estimated that 0.75 percent of occupational privilege taxpayers are currently licensed and volunteer in a field related to their former profession.
- The estimated number of current occupational privilege taxpayers who would be exempt as a result of the proposed legislation is 1,511 (201,441 x 0.75%).
- The decrease in state revenue is estimated to be \$604,400 (1,511 x \$400).
- It is assumed that 50 percent of tax savings realized will be spent in the economy on sales taxable goods and services.
- The net recurring tax savings that will be spent in the economy on sales taxable goods and services are estimated to be \$302,200 (\$604,400 x 50%).
- 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 net recurring increase in state sales tax revenue beginning in FY21-22 is estimated to be \$20,389 [(\$302,200 x 7.0%) – (\$302,200 x 7.0% x 3.617%)].
- The total recurring increase in local sales tax revenue is estimated to be \$8,320 [(\$302,200 x 2.5%) + (\$302,200 x 7.0% x 3.617%)] in FY21-22 and subsequent years.
- The total net recurring decrease in state revenue as a result of this legislation is estimated to be \$584,011 (\$604,400 - \$20,389) in FY21-22 and subsequent years.
- Occupational privilege tax returns are filed electronically and the Department does not have any staff dedicated to this tax. Therefore, there will be no staff reductions as a result of eliminating the occupational privilege tax.

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

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