TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 648 - HB 1279

March 21, 2023

SUMMARY OF BILL: Repeals all revenue allocations to help retire the debt on the construction of Music City Center. Repeals the additional one percent hotel occupancy tax in Metro Nashville (Metro). Repeals the $2.50 hotel room occupancy tax in all of Metro. Repeals the $2.00 privilege tax a contracted vehicle must pay each time the vehicle exits the airport while transporting customers from the airport in Metro. Repeals the one percent tax on gross proceeds derived from the lease or rental of any passenger motor vehicle, truck, or trailer for a period of five days or less. Repeals the 0.5 percent fee on the sale of services and tangible personal property sold at retail within the Central Business Improvement District (CBID) in Metro.

ESTIMATED FISCAL IMPACT:

Increase State Revenue –
Exceeds $63,373,800/Each Year FY23-24 through FY41-42/
General Fund

Decrease State Revenue – $50,000/FY23-24 and Subsequent Years/
Department of Revenue

Decrease State Expenditures – $50,000/FY23-24 and Subsequent Years/
Department of Revenue

Decrease Local Revenue –
Exceeds $115,209,300/Each Year FY23-24 through FY41-42/
Metro Nashville
Exceeds $51,835,500/FY42-43 and Subsequent Years/Metro Nashville

Assumptions:

- The proposed legislation will create disruptions for local bondholders and significant decreases in Metro revenue.
- Based on information provided by Metro, collections from the:
    - One percent hotel occupancy tax collections in Metro were $17,119,555 in FY21-22.
    - $2.50 hotel room occupancy tax in Metro were $22,943,567 in FY21-22.

    - $2.00 privilege tax on the privilege of contracted vehicles exiting public airports transporting customers were $3,028,124 in FY21-22.
    - One percent tax on gross proceeds derived from the lease or rental of any passenger motor vehicle, truck, or trailer for a period of five days or less were $2,441,659 in FY21-22.
    - 0.5 percent fee on the sale of services and tangible personal property sold within the CBID in Metro were $6,302,588 in FY21-22.
- For the purposes of this analysis, FY21-22 numbers will be held constant into perpetuity; however, it can be reasonably assumed collections will increase in the future.
- The total decrease in local revenue to Metro from elimination of local taxes and fees is estimated to be an amount exceeding $51,835,493 ($17,119,555 + $22,943,567 + $3,028,124 + $2,441,659 + $6,302,588) in FY23-24 and subsequent years.
- The proposed legislation effectively repeals the $50,000 going to DOR for the administration of the CBID which is deducted from the allocation to Metro Nashville, creating a decrease in state revenue and corresponding decrease in state expenditures.
- Based on information provided by the Department of Revenue (DOR), Music City Center is the only qualified public use facility in the Nashville TDZ; therefore, the proposed legislation is removing the allocation to the entire Nashville TDZ.
- Based on information provided by DOR, the state allocation to the Nashville TDZ was $51,327,712 in FY21-22. The state allocation to the Music City Center was $12,046,049 in FY21-22. For the purposes of this analysis this number will be held constant into perpetuity; however, it can be reasonably assumed collections will increase in the future.
- The proposed legislation would repeal the state revenue allocation to the TDZ, creating an increase in state revenue.
- Absent the proposed legislation, these state revenue allocations are assumed to continue through FY41-42.
- The recurring increase in state revenue is estimated to be an amount exceeding $63,373,761 ($51,327,712 + $12,046,049) in FY23-24 through FY41-42.
- The total recurring decrease in local revenue to Metro Nashville is estimated to be an amount exceeding $115,209,254 ($51,835,493 + $51,327,712 + $12,046,049) in FY23-24 through FY41-42, and an amount exceeding $51,835,493 in FY42-43 and subsequent years.

CERTIFICATION:

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

Krista Lee Carsner

Krista Lee Carsner, Executive Director

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