



March 13, 2023

SUMMARY OF BILL: Transfers the duties to issue and renew business licenses from county clerks and city officials to the Department of Revenue (DOR). Earmarks \$3.00 of the \$15.00 business license renewal or application fee to DOR to cover the expenses of administration. Requires businesses switching locations to pay a \$5.00 fee, with \$1.00 allocated to DOR to cover the expenses of administration and the rest going to county or incorporated municipality where the taxpayer is located. Effective January 1, 2024.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue – \$488,800/FY23-24/DOR
\$575,100/FY24-25 and Subsequent Years/DOR**

**Increase State Expenditures – \$276,200/FY23-24/DOR
\$523,300/FY24-25 and Subsequent Years/DOR**

**Decrease Local Revenue – \$488,800/FY23-24
\$575,100/FY24-25 and Subsequent Years**

Other Fiscal Impact – Any decrease in local government expenditures cannot be quantified with reasonable certainty.

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-4-723, the cost to renew or apply for a business license is currently \$15.00. The proposed legislation allocates \$3.00 to DOR to cover expenses of administration resulting from overseeing the duties to issue and renew business licenses.
- Pursuant to Tenn. Code Ann. § 67-4-723(a)(1), a business located within a county and an incorporated municipality is subject to receive a city and county license.
- Based on information provided by DOR, there are 299,000 businesses with active locations that filed a business tax return in 2021. It can be reasonably estimated 40 percent, or 119,600 (299,000 x 40%), of these entities are receiving at least one county license.
- It can be reasonably estimated that 47,840 businesses are receiving a county-only license with 71,760 receiving a city and county license; for the purposes of this analysis, this

number is held constant into perpetuity; therefore, 71,760 businesses are required to receive two licenses.

- Based on information provided by DOR, businesses paying the business tax at the end of the calendar year constitute approximately 85 percent of the total fiscal year. For the purposes of this analysis, it is assumed businesses will renew their business license at the same time they pay the business tax. The increase in state revenue to DOR is estimated to be \$487,968 $\{[(47,840 \times \$3.00) + (71,760 \times \$3.00) + (71,760 \times \$3.00)] \times 85\%$ in FY23-24, with a corresponding decrease in local revenue.
- The recurring increase in state revenue to DOR is estimated to be \$574,080 $[(47,840 \times \$3.00) + (71,760 \times \$3.00) + (71,760 \times \$3.00)]$ in FY24-25 and subsequent years, with a corresponding decrease in local revenue.
- Pursuant to Tenn. Code Ann. § 8-21-701(3), counties receive \$5.00, on a permissible basis, when a business transfers a license to a new location. The proposed legislation allocates \$1.00 to DOR to cover administrative expenses, creating a corresponding decrease in local revenue of \$1.00 per license.
- Based on information provided by DOR, it is estimated there are approximately 1,000 occurrences each year of a transfer of a license to a new location. The increase in state revenue to DOR is estimated to be \$850 $[(1,000 \times \$1.00) \times 85\%]$ in FY23-24, with a corresponding decrease in local revenue.
- The recurring increase in state revenue to DOR is estimated to be \$1,000 $(1,000 \times \$1.00)$ in FY24-25 and subsequent years, with a corresponding decrease in local revenue.
- Based on information provided by DOR, six additional Customer Service Center Representative 2 positions and two additional TR3 Business Consultant Jr are needed to fulfill DOR's new responsibilities.
- The increase in state expenditures as a result of hiring six Customer Service Center Representative 2 positions will be \$181,968 $\{[(\$42,300 \text{ salary} + \$14,356 \text{ benefits} + \$4,000 \text{ training, supplies, telecommunications and software costs}) \times 6 \text{ positions}] \times 50\%$ in FY23-24.
- The recurring increase in state expenditures as a result of hiring six Customer Service Center Representative 2 positions will be \$363,936 $[(\$42,300 \text{ salary} + \$14,356 \text{ benefits} + \$4,000 \text{ training, supplies, telecommunications, and software costs}) \times 6 \text{ positions}]$ in FY24-25 and subsequent years.
- The increase in state expenditures a result of hiring two TR3 Business Consultant Jr positions will be \$79,706 $\{[(\$59,496 \text{ salary} + \$17,210 \text{ benefits} + \$3,000 \text{ training, supplies, telecommunications and software costs}) \times 2 \text{ positions}] \times 50\%$ in FY23-24.
- The increase in state expenditures a result of hiring two TR3 Business Consultant Jr positions will be \$159,412 $[(\$59,496 \text{ salary} + \$17,210 \text{ benefits} + \$3,000 \text{ training, supplies, telecommunications and software costs}) \times 2 \text{ positions}]$ in FY24-25 and subsequent years.
- The one-time increase in state expenditures to cover computer and printer costs will be \$14,500 in FY23-24.
- The total increase in state revenue to DOR is estimated to be \$488,818 $(\$487,968 + \$850)$ in FY23-24.
- The total recurring increase in state revenue to DOR is estimated to be \$575,080 $(\$574,080 + \$1,000)$ in FY24-25 and subsequent years.

- The total increase in state expenditures to DOR is estimated to be \$276,174 (\$181,968 + \$79,706 + \$14,500) in FY23-24
- The total recurring increase in state expenditures is estimated to be \$523,348 (\$363,936 + \$159,412) in FY24-25 and subsequent years.
- The total decrease in local revenue is estimated to be \$488,818 (\$487,968 + \$850) in FY23-24.
- The total recurring decrease in local revenue is estimated to be \$575,080 (\$574,080 + \$1,000) in FY24-25 and subsequent years.
- Any decrease in local government expenditures cannot be quantified with reasonable certainty.

IMPACT TO COMMERCE:

NOT SIGNIFICANT

Assumptions:

- The proposed legislation will not affect the number of business licenses issued or renewed.
- The proposed legislation will have no significant impact on commerce or jobs in Tennessee.

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

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