

SENATE BILL 1185

By Akbari

AN ACT to amend Tennessee Code Annotated, Title 4, Chapter 3, Part 7 and Title 67, Chapter 4, relative to the "Small Business Growth and Empowerment Act."

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. This act is known and may be cited as the "Small Business Growth and Empowerment Act."

SECTION 2. Tennessee Code Annotated, Title 4, Chapter 3, Part 7, is amended by adding the following as a new section:

**4-3-722. Small business growth and empowerment fund – grants.**

- (a) The small business growth and empowerment fund is established as a separate account in the general fund.
- (b) The small business growth and empowerment fund is to be composed of:
  - (1) Funds appropriated by the general assembly for the fund; and
  - (2) Gifts, grants, and other donations received by the department of economic and community development for the fund.
- (c) Moneys in the small business growth and empowerment fund may be used by the department of economic and community development for program administration, marketing expenses, and program evaluation; provided, however, such expenses must not exceed five percent (5%) of the total amount appropriated for the program in any fiscal year.

(d) Subject to the availability of revenue at the end of each fiscal year, the commissioner of finance and administration is authorized to carry forward any amounts remaining in the small business growth and empowerment fund.

(e) Moneys in the small business growth and empowerment fund must be invested by the state treasurer pursuant to title 9, chapter 4, part 6, for the sole benefit of the fund, and interest accruing on investments and deposits of the fund must be returned to and remain part of the fund.

(f) To the extent practicable, moneys from the small business growth and empowerment fund must be spent in all three (3) grand divisions of the state.

(g) New commitments made by the commissioner of economic and community development for grants from the small business growth and empowerment fund must not exceed the appropriations made for the purposes of the program. In each fiscal year, the fund must be managed so that actual expenditures and obligations to be recognized at the end of the fiscal year do not exceed any available reserves and appropriations of the programs.

(h)

(1) At least quarterly, the commissioner of economic and community development shall report to the commissioner of finance and administration the status of the commitments from the small business growth and empowerment fund. The report must include at least the following information:

- (A) The amount of each commitment accepted since the previous report;
- (B) The applicant receiving the benefit of each commitment;
- (C) The total outstanding commitments; and
- (D) The total unobligated balance.

(2) A copy of the report must be transmitted to the chief clerks of the senate and the house of representatives, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state.

(i) Grants from the small business growth and empowerment fund may be made in all counties where the commissioner of economic and community development determines that the grants will have a direct impact on employment and investment opportunities for minority-owned and women-owned businesses in underserved areas.

(j) Grants from the small business growth and empowerment fund may be made only to local governments or their economic development organizations, other political subdivisions of the state, any subdivision of state government, or to not-for-profit organizations.

(k) Grants from the small business growth and empowerment fund must be used to facilitate economic development activities for minority-owned and women-owned businesses in underserved areas or in a manner that directly impacts minority-owned and women-owned businesses in underserved areas. These activities include:

- (1) Site development activities;
- (2) Infrastructure activities;
- (3) Tourism-related activities;
- (4) Planning activities;
- (5) Training and mentoring activities;
- (6) Entrepreneurship activities;
- (7) Significant technological improvements; or
- (8) Other economic development activities determined by the

commissioner of economic and community development to have a beneficial impact on the economy of this state.

(l) Notwithstanding another law to the contrary, the department shall post the following information on its website at least quarterly:

(1) The name of each small business growth and empowerment fund grant recipient;

(2) The amount of each fund grant; and

(3) A description of the project to be funded by each fund grant.

(m) For purposes of this section:

(1) "Minority-owned business" means a business that is a continuing, independent, for-profit business that performs a commercially useful function, and is at least fifty-one percent (51%) owned and controlled by one (1) or more minority individuals who are impeded from normal entry into the economic mainstream because of past practices of discrimination based on race or ethnic background;

(2) "Underserved area" includes communities that have difficulty accessing resources to start and grow businesses, including inner-city areas, rural areas, and communities with historically high barriers to capital and credit; and

(3) "Woman-owned business" means a business that is a continuing, independent, for-profit business that performs a commercially useful function, and is at least fifty-one percent (51%) owned and controlled by one (1) or more women; or, in the case of any publicly owned business, at least fifty-one percent (51%) of the stock of which is owned and controlled by one (1) or more women and whose management and daily business operations are under the control of one (1) or more women.

SECTION 3. Tennessee Code Annotated, Section 67-4-713, is amended by adding the following as a new subsection (c):

(1) A qualifying small business that files and pays the tax imposed by this part may take a credit equal to fifty percent (50%) of the taxpayer's liability as calculated in § 67-4-709.

(2) A small business qualifies for the credit described in subdivision (c)(1) if:

(A) The business:

(i) Complies with a local and targeted hiring policy that the business develops and implements in which at least fifty percent (50%) of the persons employed reside in the community, municipality, or county in which the business operates; or

(ii) Provides workforce training approved by the department of economic and community development to its employees;

(B) The business applies for and receives certification from the department of economic and community development that the business meets the qualifications under this subdivision (c)(2) for each year in which the credit is sought. The department shall review applications submitted by small businesses and issue certifications as appropriate; and

(C) The business submits proof of its certification from the department of economic and community development to the department of revenue when it files and pays the tax imposed by this part.

(3) For purposes of this subsection (c), "small business" means a business that is a continuing, independent, for-profit business that performs a commercially useful function with residence in this state and has total gross receipts of not more than one

million five hundred thousand dollars (\$1,500,000) averaged over a three-year period or employs no more than fifteen (15) persons on a full-time basis.

SECTION 4. The heading in this act is for reference purposes only and does not constitute a part of the law enacted by this act. However, the Tennessee Code Commission is requested to include the heading in any compilation or publication containing this act.

SECTION 5. For purposes of promulgating forms or rules, this act takes effect upon becoming a law, the public welfare requiring it. For all other purposes, Sections 2 and 4 of this act take effect July 1, 2025, the public welfare requiring it. For all other purposes, Section 3 of this act takes effect January 1, 2026, the public welfare requiring it, and applies to tax years beginning on or after that date.