

Amendment No. 4 to SB0047

McNally
Signature of Sponsor

AMEND Senate Bill No. 47*

House Bill No. 813

by deleting all language after the enacting clause and substituting instead the following:

SECTION 1. Tennessee Code Annotated, Section 67-2-102, is amended by deleting the section in its entirety and by substituting instead the following:

(a)

(1) Except as otherwise provided in subdivision (a)(2) and in this chapter, an income tax in the amount of six percent (6%) per annum shall be levied and collected on incomes derived by way of dividends from stocks or by way of interest on bonds of each person, partnership, association, trust, and corporation in this state who received, or to whom accrued, or to whom was credited during any year income from the sources enumerated in this section.

(2)

(A) Beginning in fiscal year 2014-2015 and subsequent fiscal years, on June 15 of each fiscal year, the commissioner of finance and administration, in consultation with the commissioner of revenue, shall determine whether state revenue growth exceeded an average of three percent (3%) over the previous two (2) consecutive fiscal years, and notify the governor, speaker of the senate, speaker of the house of representatives, and state treasurer of any determination that the growth exceeded an average of three percent (3%) for the two-year period. If such determination is made, the commissioner of finance and

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administration shall certify the amount of the state tax revenue collected for the period in the notification required under this subdivision (a)(2)(A).

(B) In any fiscal year in which the commissioner of finance and administration determines that state revenue growth exceeded an average of three percent (3%) over the previous two (2) consecutive fiscal years under subdivision (a)(2)(A), the rate of tax upon income from stocks and bonds shall be adjusted by reducing the rate by one percent (1%) on January 1 for the following calendar year. The rate of taxation resulting from such one-percent reduction shall be the applicable rate for all subsequent calendar years and shall remain in effect until such time in subsequent calendar years when the growth formula specified in this subdivision (a)(2)(B) warrants a further reduction; provided, that at such time, the rate shall be adjusted by reducing the rate by a one-percent increment; except, that if the rate is reduced to three percent (3%) and in the event state revenue growth exceeds three percent (3%) over the previous two (2) consecutive fiscal years after such reduced rate becomes effective, then the subsequent reductions to the rate shall be three-fourths of one percent (0.75%).

(C) In lieu of the tax levied by subdivision (a)(1), for any taxpayer's tax year that begins during a calendar year in which a reduction to the rate is made pursuant to subdivision (a)(2)(B), or that begins during a calendar year in which a reduction is effective, an income

tax at the reduced rate per annum published by the commissioner of revenue pursuant to subdivision (a)(2)(D) shall be levied and collected on incomes derived by way of dividends from stocks or by way of interest on bonds of each person, partnership, association, trust, and corporation in the state who received, or to whom accrued, or to whom was credited during any year income from the sources enumerated in this section, except as otherwise provided in this chapter; provided, that no reductions to the rate shall be made in any year in which state revenue growth does not exceed three percent (3%) growth over the previous two (2) consecutive fiscal years.

(D) By September 1 immediately following the certification made pursuant to subdivision (a)(2)(A), the commissioner of revenue shall publish the rate of taxation at which the income derived from stocks and dividends shall be taxed beginning on January 1 of the next calendar year. Each reduced rate shall remain in effect until the rate is again reduced pursuant to subdivision (a)(2)(B).

(b) As used in this section, "state revenue growth" means, for any fiscal year, the percentage increase in revenue derived from state taxes that are collected by the state and deposited into the general fund.

(c) The commissioner of revenue is authorized to promulgate rules as the commissioner may deem necessary to effectuate the purposes of this section. All such rules shall be promulgated in accordance with the Uniform Administrative Procedures Act, compiled in title 4, chapter 5. Notwithstanding § 4-5-208 to the contrary, the commissioner is authorized to promulgate emergency rules to implement this section.

(d) On January 1 of any calendar year in which the seventh qualifying reduction occurs, the rate is zero percent (0.0%) and, on and after such date, no tax shall be

imposed pursuant to this section; provided, that this subsection shall not be construed to absolve any taxpayer of liability for any tax duly levied by this section during any taxpayer's tax year beginning prior to such date.

(e) The commissioner of revenue shall certify in writing to the executive secretary of the Tennessee code commission the date on which the rate of zero percent (0.0%) becomes effective. This section is deleted on the next January 1 following such date.

SECTION 2. Tennessee Code Annotated, Section 67-2-119, is amended by deleting the section in its entirety and by substituting instead the following:

(a) The tax collected by the state under this chapter shall be levied at the tax rate provided in § 67-2-102(a)(1) or (a)(2), as applicable, according to the following schedule, and the tax revenue derived from the applicable percentage of the rate imposed shall be distributed to the general fund or local governments, or both, as follows:

<u>For tax years that begin</u>	<u>Tax Rate</u>	<u>Rate Distributed to General Fund</u>	<u>Rate Distributed to Local Governments</u>
Prior to a calendar year of First Qualifying Reduction	6%	3.75%	2.25%
During a calendar year of First Qualifying Reduction & subsequent calendar years prior to Second Qualifying Reduction	5%	2.75%	2.25%
During a calendar year of Second Qualifying Reduction & subsequent calendar years prior to Third Qualifying Reduction	4%	1.75%	2.25%
During a calendar year of Third Qualifying Reduction & subsequent calendar years prior to Fourth Qualifying Reduction	3%	0.75%	2.25%
During a calendar year of Fourth Qualifying Reduction & subsequent calendar years prior to Fifth Qualifying Reduction	2.25%	0.00%	2.25%

During a calendar year of Fifth Qualifying Reduction & subsequent calendar years prior to Sixth Qualifying Reduction	1.5%	0.00%	1.5%
During a calendar year of Sixth Qualifying Reduction & subsequent calendar years prior to Seventh Qualifying Reduction	.75%	0.00%	0.75%
During a calendar year of Seventh Qualifying Reduction & subsequent calendar years	0.00%	0.00%	0.00%

(b) Of the taxes collected by the state under this chapter upon income from stocks and bonds taxable at the rate provided in subsection (a), after any deduction for necessary expenses for administration of this chapter pursuant to § 67-2-117, the following shall be distributed among municipalities and counties in accordance with subsection (d):

<u>For tax years that begin</u>	<u>Local Distribution</u>
Prior to a calendar year of First Qualifying Reduction	37.5%
During a calendar year of First Qualifying Reduction & subsequent calendar years prior to Second Qualifying Reduction	45.0%
During a calendar year of Second Qualifying Reduction & subsequent calendar years prior to Third Qualifying Reduction	56.25%
During a calendar year of Third Qualifying Reduction & subsequent calendar years prior to Fourth Qualifying Reduction	75.0%
During calendar years of Fourth, Fifth & Sixth Qualifying Reductions	100.0%

(c) After the distribution to municipalities and counties pursuant to subsection (b), any funds remaining shall be paid into the general fund of the state treasury.

(d)

(1) If a taxpayer residing within the corporate limits of any municipality pays a tax imposed by the state at the rate provided in subsection (a), then the tax collected from the taxpayer, in the amount required to be distributed pursuant to subsection (b), shall be returned to the municipality within which the taxpayer resides.

(2) If a taxpayer residing in a county, but outside the corporate limits of any municipality, pays a tax imposed by the state at the rate provided in subsection (a), then the tax collected from the taxpayer, in the amount required to be distributed pursuant to subsection (b), shall be returned to the county within which the taxpayer resides.

(e) Any payment by the state to municipalities and counties covering collections made under this section during any fiscal year shall be made on or before July 31 immediately following the close of that year.

(f)

(1) Any municipality or county may, by action of its governing body, levy a tax upon incomes derived by way of dividends from stocks or by way of interest on bonds of each person, partnership, association, trust, and corporation residing in the municipality or county, as applicable, who received, or to whom accrued, or to whom was credited during any year income from the sources enumerated in this subdivision (f)(1), except as otherwise provided in this section.

(2) No tax shall be levied by a municipality or county prior to January 1 of the calendar year in which the rate of the tax pursuant to § 67-2-102 is equal to or greater than two and one-quarter percent (2.25%) per annum.

(3) The rate of tax under this subsection (f) allowed to be collected by the municipality or county, combined with the rate collected by the state pursuant to § 67-2-102, shall not exceed two and one-quarter percent (2.25%) per annum.

(g)

(1) No ordinance or resolution authorizing a tax under subsection (f) shall take effect unless the ordinance or resolution is approved by:

(A) A majority vote of the municipal or county legislative body; or

(B) A majority of the number of qualified voters of the municipality or county voting in an election on the question of whether or not the tax should be levied.

(2) The ordinance or resolution shall become operative thirty (30) days after its approval by the municipal or county legislative body pursuant to subdivision (g)(1)(A). No tax shall be collected under the ordinance or resolution until the first day of a month occurring at least thirty (30) days after the operative date.

(3)

(A) If there is a petition of registered voters amounting to ten percent (10%) of the votes cast in the municipality or county in the last gubernatorial election that is filed with the county election commission within sixty (60) days of final approval of the ordinance or resolution by the municipal or county legislative body, then the county election commission shall call an election for the municipality or county, as the case may be, on the question of whether or not the tax should be levied in accordance with subsection (f).

(B) The local governing body shall direct the county election commission to call the election to be held at the next regularly scheduled general election that occurs at least thirty (30) days after the receipt of the petition for the purpose of approving or rejecting the tax levy.

(C) If an election is held, then the tax levy shall not take effect unless it is approved by a majority of the number of qualified voters of the county or municipal government voting in the election.

(D) The ballots used in the election held pursuant to subdivision (g)(1)(B) shall have printed on them the substance of the ordinance or resolution, and the voters shall vote for or against its approval.

(E) The votes cast on the question shall be canvassed, and the results proclaimed by the county election commission and certified by it to the local governing body.

(F) The qualifications of voters voting on the question shall be the same as those required for voting in a general county or municipal election, whichever is appropriate.

(G) All laws applicable to general elections shall apply to the determination of the approval or rejection of this tax levy.

(H) If the majority vote is for the tax levy, the tax levy shall be deemed to be approved on the date that the county election commission makes its official canvass of the election returns. No tax shall be collected pursuant to subdivision (g)(1)(B) until the first day of a month occurring at least thirty (30) days after the date of approval of the tax levy.

(4) After initial levy of the tax by a county or municipality, the tax rate may be changed by the county or municipal legislative body without approval of a resolution or ordinance pursuant to subdivision (g)(1)(A) or (g)(1)(B); provided, that not less than ninety (90) days prior to the change in the tax rate, the county or municipal legislative body shall provide written notification of the rate change to the department of revenue.

(h)

(1) The tax levied by a municipality or county pursuant to subsection (f) shall be levied on the same persons and to the same extent as the tax was levied by the state pursuant to this chapter. The tax shall be subject to the same exemptions, credits, and deductions provided in § 67-2-104 and in this chapter as are applicable to the tax levied by the state pursuant to § 67-2-102.

(2)

(A) Any ordinance approved pursuant to subsection (g) shall specify the rate of the tax and require that the tax levied by the municipality be collected only from taxpayers residing within the corporate limits of the municipality.

(B) Any resolution approved pursuant to subsection (g) shall specify the rate of the tax and require that the tax levied by the county be collected only from taxpayers residing in the county, but outside the corporate limits of any municipality.

(3) The department of revenue shall collect the tax on behalf of each county or municipality levying the tax, which shall be computed, reported, and paid in the same manner as the tax was levied by the state pursuant to this chapter.

(4)

(A) Any county or municipality levying the tax approved by the county or municipal legislative body pursuant to subdivision (g)(1)(A) shall furnish a certified copy of the approved resolution or ordinance to the department of revenue within seven (7) days of its approval by the county or municipal legislative body, and shall furnish written notice to the department within seven (7) days of its operative date.

(B) Any county or municipality levying the tax approved by the voters pursuant to subdivision (g)(1)(B) shall furnish a certified copy of the petition to the department within seven (7) days of its filing with the county election commission, and provide written notice to the department within seven (7) days of approval of the tax levy.

(5)

(A) If a taxpayer residing within the corporate limits of any municipality pays a tax imposed by the municipality, then the department shall remit to the municipality all revenue from the tax collected from the taxpayer.

(B) If a taxpayer residing in a county, but outside the corporate limits of any municipality, pays a tax imposed by the county, then the department shall remit to the county all revenue from the tax collected from the taxpayer.

(6) Prior to distributing revenue to a county or municipality pursuant to subdivision (h)(5), the department may deduct necessary expenses for collecting the revenue.

SECTION 3. Tennessee Code Annotated, Section 67-2-103, is amended by deleting the section in its entirety and by substituting instead the following:

Subject to § 67-2-119, the tax levied by the state pursuant to this chapter prior to January 1 of any calendar year in which the fourth qualifying reduction occurs, is for state purposes only. Except as authorized by § 67-2-119(f), no county or municipality shall have power to levy the tax.

SECTION 4. This act shall take effect upon becoming a law, the public welfare requiring it.