

Title	Description	Revenue
<p>Out-of-State Sales Tax Act</p>	<p>The state sales and use tax is the largest source of funding for TN state government. In order to fund our public structures adequately we must be efficient at collecting the taxes that are due. Many out-of-state vendors (internet and catalogue) tempt Tennesseans to dodge sales tax by not collecting it. TN relies on individual taxpayers to voluntarily report their purchases from out-of-state vendors who do not collect TN sales taxes, but few taxpayers do so. Only 2500 taxpayers filed use (sales) tax returns in 2009, compared to over 3.1 million individual federal tax returns filed by Tennesseans each year. The bill:</p> <ul style="list-style-type: none"> • Asserts taxing authority over out-of-state companies (who sell more than \$4,800 of merchandise to Tennesseans) on the basis of their use of in-state affiliates to solicit business. <p>Impact: The revenue can be used to avoid layoffs of state employees and cuts to critical state functions. According to a UT Center on Business and Economic Research report, an estimated \$365 Million will be lost in 2010 through online purchases by Tennessee residents. That does not include losses from mail order, direct television marketing or cross-border shopping. “State and Local Government Sales Tax Revenue Losses from Electronic Commerce.” 2009.</p>	<p>Up to \$365 million</p>
<p>Single Article Cap Removal Act</p>	<p>Tennessee levies a 7% tax on sales of most merchandise and some services. Local governments are allowed to charge additional taxes up to 2.75% on the first \$1600 of the purchase price. For items priced between \$1600 and \$3200, the state levies a 9.75% tax on the amount exceeding \$1600, with no local option tax. For items costing more than \$3200, the state “caps” the tax rate at 7% on the amounts exceeding \$3200. The cap is an unjustified tax break for upper income individuals and businesses. If the buyer can afford to buy items that cost more than \$3200, he or she can afford to pay tax at the same rate as everyone else. The bill:</p> <ul style="list-style-type: none"> • Eliminates the cap by extending the 9.75% rate to the full value of all “big-ticket” items. • Exempts mobile homes and manufactured housing if used as the primary residence. • Exempts vehicles on the amount exceeding \$3,200 up to \$10,000. <p>Impact: The bill increases revenue and removes one of the two current obstacles to Tennessee’s full compliance with the Streamlined Sales Tax Agreement.</p>	<p>More than \$85 million</p>

<p>Tennessee Small Business Protection Act</p>	<p>Tennessee’s business tax laws allow multistate companies to avoid taxes by setting up sham subsidiaries in Delaware or Nevada to transfer ownership of their real estate or trademarks and logos. They then deduct their payments to their own subsidiaries from their Tennessee income, thus avoiding TN taxes. The bill:</p> <ul style="list-style-type: none"> • Provides for “Combined Reporting,” a comprehensive solution to this “Las Vegas loophole”. • Allows TN to receive tax revenues on a fair proportion of the companies’ revenues. • Reduces the state sales tax rate on grocery food by 1% and leaves the local option unaffected. <p>Impact: The bill levels the playing field for Tennessee small businesses that pay TN taxes. More than half of the states use combined reporting. It’s time for Tennessee to join the majority.</p>	<p>\$100-\$200 million</p>
<p>Tax Cut and Job Creation Act</p>	<p>The bill will leave more money in the pockets of hardworking citizens who are struggling to make ends meet. Money they save can be spent on necessities and will re-circulate in the economy, resulting in job retention and creation. The tax increase on upper income taxpayers will have a negligible effect on spending since increased income for these brackets is typically put into savings rather than spent. The additional revenue will allow TN to avoid layoffs of state employees and cuts in critical public functions. The bill:</p> <ul style="list-style-type: none"> • Eliminates the 5.5% state sales tax on grocery food and leaves the local option unaffected. • Reduces the sales tax rate on other items from 7% to 5%. • Eliminates the Hall Income Tax on unearned income. • Helps businesses by removing real estate base from the Franchise Tax and cutting the rate in half. • Introduces a new, broad-based income tax with generous exemptions (from \$20,000 to \$40,000 depending on filing status) and a 3% rate on the first \$30,000 exceeding the exemptions and 6% on amounts over that. <p>Impact: Reduces state and local taxes from 11.7% to 9.7% for those earning less than \$17,000; reduces from 9.3% to 8% for those earning \$29,000 to \$47,000; and provides a modest increase for those earning more than \$75,000 (negligible at the bottom end of the range and averages from 5.3% to 7.1% for all families earning over \$75,000). For example, a family of four earning the median 2009 income in Tennessee of \$62,197 would pay \$516 in income tax and save \$780 in sales taxes for a net savings of \$264. Income tax increases are partially offset by their deductibility against federal income tax. With all these cuts, the bill produces about \$400 million in additional revenue for the state according to the Legislative Fiscal Review Committee.</p>	<p>\$400 million</p>