



## SPEAK OUT!

Legislative Issues Affecting  
Oak Ridge and our  
Business Community



***June 1, 2009***

## As Budget End-Game Nears: Legislators Move Bills at Frantic Pace

Last week the House and Senate worked in a frantic pace to wrap up miscellaneous bills in preparation for the budget. Due to the federal stimulus and deteriorating state revenue collections, the Governor has revised the 2009-10 budget plans a number of times. Now that the funding board has met and revenue numbers have been revised the Governor has finalized his proposal to close out the 2008-09 current budget and the 2009-10 budget which begins on July 1<sup>st</sup>.

**ALERT** – It is important to note that many bills that were previously believed to be dead should be watched closely. With the suspension of Senate and House rules the “flow” of bills can happen very quickly, so watch bills of interest closely.

## Administration Expected to Release Tax Bill Tomorrow

The Bredesen administration announced that the Department of Revenue’s annual tax bill will be released tomorrow. This comes as both House and Senate leaders finalized most other regular bills in preparation for the budget. Many observers estimate the end of session will be around June 18<sup>th</sup> or possibly later as both Houses will no doubt need time to hear budget discussions.

**BUSINESS TAXES AFFECTED:** Although the particular tax implications of the bill have yet to be viewed in detail the administration has spoken generally about the changes below in business taxes.

- \$21 million from "business tax administration," a reference to a proposal for the state Department of Revenue to take over collection of business taxes now handled by county court clerks. Clerks now collect a fee for the collections.
- \$9 million by changing the law to collect state taxes on "software and warranty agreements" that now escape Tennessee taxation because the transactions

- involved occur outside the state, though the software is used and the warranties apply within the state.
- \$6 million by requiring that businesses pay the same rate of state tax on long-distance telephone services that is now paid by residential phone users. This tax was previously authorized through a streamline tax proposal passed earlier.
  - \$2 million though a tax on TV "cable boxes."

## Bill Exempting Recreational Injuries from Workers' Comp Sent to Governor

This week a bill passed exempting recreational injuries from workers' comp claims passed the House in a vote of 97-0-0. This is a substantial bill employers have expressed concern over injuries that are not truly work related from being compensable under Tennessee's workers' comp law. Employers have felt they should not be penalized for allowing employees to participate in wellness programs or engaging in company events to promote health and well-being. [HB 1500](#) has already passed the full Senate earlier this session. This bill will exclude voluntary recreational injuries from being covered by workers' compensation. This has been an important issue for the business community following a state Supreme Court ruling eighteen months ago making recreational injuries compensable under Tennessee's workers' compensation laws.

### Washington Alert:

## "Healthy Families Act" Could Impact Business

Rep. Rosa DeLauro (D-CT), joined by 101 cosponsors, introduced H.R. 2460, the "Healthy Families Act," May 18. The legislation would require employers with 15 or more employees to provide one hour of paid sick leave for every 30 hours worked. Employers would be required to provide a maximum of 56 hours of leave each year that could be carried over to the next year.

### Capitol Update News:

## Misc. Legislative Activity

### **State plans to eliminate 1,400 jobs (Tennessean/Sisk)**

Mental health agencies will bear brunt but say cuts less than feared State workers are again facing a sizeable round of layoffs as officials laid out a plan to cut Tennessee's payroll by nearly 1,400 positions over the next 13 months. Two months after Gov. Phil Bredesen said layoffs could be pushed back until next year, budgeters from his administration said Wednesday that more job cuts will have to come after all — particularly to the state agencies that serve people with mental illnesses and mental

retardation. The reductions will help the state deal with a recession that has worsened in recent months, cutting expected tax receipts by \$161 million since March. "We just have to cut everything in sight," Finance Commissioner Dave Goetz said.

<http://www.tennessean.com/article/20090528/NEWS0201/905280326/State+plans+to+eliminate+1+400+jobs>

### **With Billions at Stake, Trying to Expand the Meaning of 'Renewable Energy' (NYT)**

The definition of renewable energy seems clear cut: The sun continues to shine, so solar energy is renewable. The wind continues to blow, so wind turbines churn out renewable power. But industries are now pushing to have a growing number of other technologies categorized as renewable — or at least as environmentally advantageous. They include nuclear power plants and the burning of garbage and even the waste from coal mines. The lure of the renewable label is understandable. Federal tax breaks for renewable energy have been reauthorized, and quotas for renewable energy production have been set in 28 states, accompanied by extensive new grants, loans and other economic advantages. <http://www.nytimes.com/2009/05/25/business/energy-environment/25renew.html?scp=2&sq=renewable%20energy&st=cse>

## Legislative Activity for This Week

### SENATE ACTIVITY

Senate S/C and Committees

Tax S/c of Finance, Ways & Means Committee

Tuesday, June 2, 2009, 11:00 A.M. – LP 12

**SB 2318** by \*Kyle (\***HB 2275** by \*Fitzhugh) Taxes - As introduced, makes certain revisions concerning assessment and collection of sales, privilege, transfer, and privilege taxes; delays effective date of certain streamlined sales tax provisions until July 1, 2011. **This will be the Administration's "technical corrections" bill.** The Administration is projecting \$38 million in new tax revenue by this bill.

**SB 2357** by \*Kyle (\***HB 2389** by \*Fitzhugh) Taxes - As introduced, increases from 2 percent to 5.5 percent the tax that all HMOs doing business in this state must pay on the gross amount of all dollars collected from an enrollee or on an enrollee's behalf. This bill is known as the Administration's "omnibus budget" bill. The amendment to this bill is presently loaded with the Administration's amendments to generate additional revenues (\$136 M) and transfer fund balances to the general fund. Sections one thru ten makes fee cap increases, changes the funding ratios, and makes several fund balance transfers from the Department of Environment and Conservation, and other sections will be making changes for Department of Agriculture.

**\*SB 1741** by **\*Marrero** (**HB 1947** by **\*Shaw**) Taxes, Internet and e-Commerce - As introduced, creates presumption that person making sale of tangible personal property to persons in this state that have been solicited by independent contractors or other representatives in Tennessee is responsible for sales tax on such sale.

**SB 1282** by **\*Bunch** (**\*HB 1287** by **\*Casada**) Taxes - As introduced, clarifies those provisions of law which control challenges for collection of state taxes collected or administered by the commissioner of revenue and those which control the challenges for collection of other state taxes as well as local governmental entities. The House companion bill is off notice and the senate sponsor has acknowledged an expectation that persons interested in this bill will meet and work on acceptable language this summer.

**Finance, Ways & Means Committee**  
**Tuesday, June 2, 2009, 1:30 P.M. – LP 12**  
**Wednesday, June 3, 2009, 10:30 A.M. – LP 12**

**SB 2290** by **\*Kyle** (**\*HB 2264** by **\*Turner M**) Taxes, Excise - As introduced, revises the excise tax exemption for certain family-owned non-corporate entities (FONCEs).

**\*SB 2355** by **\*Kyle** (**HB 2392** by **\*Fitzhugh**) Appropriations - As introduced, makes appropriations for fiscal years 2008-2009 and 2009-2010.

**\*SB 2356** by **\*Kyle** (**HB 2391** by **\*Fitzhugh**) Budget Procedures - As introduced, authorizes the index of appropriations from state tax revenues for the 2009-2010 fiscal year to exceed the index of estimated growth in the state's economy by \$210,800,000 or 1.88 percent.

**SB 2358** by **\*Kyle** (**\*HB 2390** by **\*Fitzhugh**) Bond Issues - As introduced, authorizes issuance of bonds to fund state projects.

**Bills Behind the Budget:**

**SB 0233** by **\*Haynes** (**\*HB 0229** by **\*Odom**) Bond Issues - As introduced, authorizes issuance of bonds to fund state projects.

**\*SB 0403** by **\*Henry** (**HB 0529** by **\*Hackworth**) Business and Commerce - As introduced, extends the joint select committee to study business taxes from June 30, 2009, until June 30, 2013.

**SB 1187** by **\*Tracy** (**\*HB 0901** by **\*Casada**) Bond Issues - As introduced, authorizes the state of Tennessee, acting by resolution of its funding board, to issue and sell its interest-bearing bonds and bond anticipation notes for certain purposes.

**SB 1197** by **\*Tracy** (**\*HB 0910** by **\*Casada**) Bond Issues - As introduced, authorizes issuance of bonds to fund state projects.

[SB 1375](#) by \*Johnson ( \*HB 1349 by \*Sargent) Utilities, Utility Districts - As introduced, enacts the "Natural Gas Conservation and Annual Rate Review Act." This issue is to be studied over the summer of 2009.

[SB 2137](#) by \*Finney L ( \*HB 1902 by \*Fitzhugh) Bond Issues - As introduced, authorizes the state to issue bonds to fund grants for certain projects.

**Budget S/c of Finance, Ways & Means Committee  
Wednesday, June 3, 2009, 8:30 A.M. – LP 12**

**State Budget Discussion.**

**Government Operations Committee  
Monday, June 1, 2009, 4:30 P.M. – LP 12**

[\\*SB 1388](#) by \*Johnson ( HB 1815 by \*Lynn) Uniform Administrative Procedure Act (UAPA) - As introduced, revises various provisions of the Uniform Administrative Procedures Act.

**HOUSE ACTIVITY**  
**House Committees & Budget S/c**  
**Finance, Ways & Means Committee**  
**Tuesday, June 2, 2009 – HHR 16 – 1:00 P.M.**

**Budget of FW&M**  
**Tuesday, June 2, 2009 – HHR16 – 10:30 AM**

[HB 1517](#) by \*Curtiss (\*SB 1931 by \*Woodson, Burchett, Ketron, Overbey) Trade Regulation - As introduced, requires suppliers of gasoline products to make such products available to wholesalers in a condition that allows the wholesaler to blend it with ethanol or other biological products. .

[\\*HB 2389](#) by \*Fitzhugh ( SB 2357 by \*Kyle) Taxes - As introduced, increases from 2 percent to 5.5 percent the tax that all HMOs doing business in this state must pay on the gross amount of all dollars collected from an enrollee or on an enrollee's behalf. This bill is to be loaded with the Administration's amendments to generate additional revenues (\$136 M) and transfer various fund balances to the general fund. Sections one thru ten make fee cap increases, change the funding ratios, and makes several fund balance transfers from the Department of Environment and Conservation and other sections will be making changes for Department of Agriculture.

[\\*HB 2275](#) by \*Fitzhugh ( [SB 2318](#) by \*Kyle) Taxes - As introduced, makes certain revisions concerning assessment and collection of sales, privilege, transfer, and privilege taxes; delays effective date of certain streamlined sales tax provisions until July 1, 2011.

**This will be the Administration's "technical corrections" bill.** The Administration is projecting \$38 million new revenue by this bill.

**[\\*HB 2124](#)** by **[\\*Sargent](#)** (**[SB 2119](#)** by **[\\*Norris](#)**) Taxes, Business - As introduced, clarifies status of property leased or rented with medical equipment, substances, or implants as property held for lease or rent.

**[HB 1582](#)** by **[\\*Shaw](#)** (**[\\*SB 1914](#)** by **[\\*Finney L](#)**) Taxes, Sales - As introduced, increases the amount to which the local option sales tax may be applied from \$1,600 to \$3,200 and establishes an annual adjustment based on the percentage increase of the consumer price index to be rounded up to the nearest multiple of \$100.

**[HB 1947](#)** by **[\\*Shaw](#)** (**[\\*SB 1741](#)** by **[\\*Marrero B](#)**) Taxes, Internet and e-Commerce - As introduced, creates presumption that person making sale of tangible personal property to persons in this state that have been solicited by independent contractors or other representatives in Tennessee is responsible for sales tax on such sale.

**[\\*HB 2264](#)** by **[\\*Turner M](#)** (**[SB 2290](#)** by **[\\*Kyle](#)**) Taxes, Excise - As introduced, revises the excise tax exemption for certain family-owned non-corporate entities (FONCEs).

**[\\*HB 2318](#)** by **[\\*Winningham](#)** (**[SB 2300](#)** by **[\\*Kyle](#)**) Energy - As introduced, requires department of finance and administration to develop a plan for ensuring state-owned facilities have individual energy meters by 2010; includes an electric vehicle in the definition of "energy-efficient vehicle" for purposes of provisions governing energy-efficient state-owned vehicles; requires that statewide building construction safety standards include provisions for energy efficiency.

**Study Committee Sub-committee of Budget  
Tuesday, June 2, 2009 – HHR16 – 11:30 A.M.**

**[HB 1630](#)** by **[\\*McCord](#)** (**[\\*SB 0876](#)** by **[\\*Southerland](#)**) Environmental Preservation - As introduced, enacts the "Tennessee Environmental Protection and Recycling Act."

**Government Operations Committee  
Date, Time & Place TBD**

**[\\*HB 0738](#)** by **[\\*Mumpower](#)** (**[SB 0819](#)** by **[\\*Norris](#)**) Energy - As introduced, enacts the "Tennessee Energy Conservation Endorsement Act of 2009."

**[HB 1815](#)** by **[\\*Lynn](#)** (**[\\*SB 1388](#)** by **[\\*Johnson](#)**) **Administrative Procedure (UAPA) - As introduced, revises various provisions of the Uniform Administrative Procedures Act.**

Speak Out is produced by the Oak Ridge Chamber of Commerce in cooperation with the Tennessee State Chamber of Commerce.

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