

TENNESSEE GOVERNMENT

Update

NEWS FOR THE CLIENTS AND FRIENDS OF BASS, BERRY & SIMS PLC

March 14, 2008

Although most of this session's controversial legislation has yet to be scheduled, several committees are setting dates for final meetings. The tax subcommittee of Senate Finance anticipates winding down this coming Tuesday. Senate Commerce hopes to close by April 15, and Senate Environment and Conservation may have its final meeting April 2. Of course, the first announced last meeting is usually not the last meeting.

The State Funding Board meets on April 7 and expects to finalize its report on April 10, with additional budget cuts likely.

Wine Sales

The Tennessee grocers are pitted against several spirits and beer interests. Senator Bill Ketron (R-Murfreesboro) and Representative Randy Rinks (D-Savannah) are sponsoring a bill that would allow grocery stores to sell wine. The "Red, White and Food" campaign, sponsored by the grocers, rolled into the capitol on Wednesday. Senator Ketron suggested that it would still be a tough fight this year but that "eventually it's going to happen." Liquor wholesalers would be protected under the bill, which maintains the system whereby the product must move through wholesalers (and be marked up) to the retailers. This arrangement is not popular with wineries in the state, which would prefer to be able to sell directly to consumers. Law enforcement has no objection to the bill, but beer distributors are concerned that it could lead to a reduction in shelf space for their products.

Tax Revenue

Tax receipts for the month of February were lower than projections by \$20.8 million. Sales tax revenue alone was down by \$18.4 million. Tobacco tax revenue, following the large tax hike on cigarettes passed last session, was less than budgeted by \$2.8 million for February. For the year, revenue is less than projected by \$211.5 million, almost \$47 million of which is due to low tobacco tax revenue. Governor Bredesen said that he would wait until the March figures are released in April before making decisions with respect to cuts in spending. Finance Commissioner Dave Goetz indicated weeks ago that budgeted state employee raises, two percent this year, would be a target if cuts are necessary. Last year's three percent raise cost \$42 million. The fiscal year ends June 30.

Healthcare

Proposed legislation by Senator Diane Black (R-Gallatin) would allow a tax credit for small employers with 25 or fewer employees who provide health insurance for all of their eligible employees. The tax credit of \$400 for each employee who earns \$40,000 or less per year would be applicable against Tennessee's franchise and excise tax, state unemployment tax, worker's compensation tax and professional privilege tax, in the order listed, until the tax credit is exhausted. The employer would be required to pay at least 50 percent of the insurance premium. Although the bill is estimated to cost the state over \$15 million per year, Senator Black contends that when people have no health insurance, the state ultimately foots the cost of their healthcare. The bill will be back before Senate Finance Tax Subcommittee next week.

Popular Elections for Lieutenant Governor and Secretary of State

Tennessee is a step closer, in a long journey, to the popular election of the lieutenant governor and secretary of state (the lieutenant governor would run on the same ticket with the governor). The bill enabling voters to indicate their preference, which is part of the process of amending the state's constitution, passed in the Senate 20-10. The measure has not passed in the House where Speaker Jimmy Naifeh (D-Covington) has indicated his opposition to the popular election of the secretary of state. Republican Speaker of the Senate Ron Ramsey, the current Lieutenant Governor, said he would not back the measure unless both offices were included. If any bill passes in both chambers this year, it would have to be passed by a two-thirds majority in both chambers in the next legislative session before going to the voters.

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J. Richard Lodge, Jr.

PHONE: (615) 742-6254
FAX: (615) 742-2754
E-MAIL: dlodge@bassberry.com



Leslie K. Hafner

PHONE: (615) 259-6342
FAX: (615) 742-2801
E-MAIL: lhafner@bassberry.com