

TENNESSEE GOVERNMENT

Update

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

The length of the comprehensive calendar of bills continued to grow this week. Committee days started earlier and ended later to try to manage the heaps of bills and amendments and fiscal analysis. April 17, tax day, marked an important date for the composition of the Governor's amendment to the budget. Knowing how much money is available to fund pet projects speeds the legislature toward final action on many measures.

Cigarette Tax

Governor Bredesen's proposed increase in the tax on cigarettes was revisited in the House Budget Subcommittee this week. Last week, a contentious House Agriculture Committee reduced the tax increase from 40 to 20 cents per pack and re-allocated most of the revenue toward eliminating the food tax on essential items. This week an amendment by sponsor Gary Odom (D-Nashville) restored the bill nearly to its original form. The tax was re-set to 40 cents per pack, and the resulting revenue would be split, with \$21 million going to agricultural enhancement programs, and the rest to fund Governor Bredesen's education initiatives, which include extra financial support for at-risk schools. The amendment passed on a voice vote and was rolled one week for the fiscal note to be revised.

Credit Security Act

The Credit Security Act passed unanimously in House floor action this week and will be scheduled for Senate floor action next week. In the Senate Commerce Committee, Raymond Finney (R-Maryville), the bill's sponsor, was pleased that business interests and the AARP had worked together successfully. "The sides were pretty far apart," said Finney, "and through repeated negotiations and consideration, we finally got a bill that everyone likes and is happy with." The bill sets forth a process in which consumers can freeze and unfreeze inquiries to their credit reports, in an attempt to thwart identity theft.

Illegal Immigrant Employment

The "Employer Responsibility in Hiring Practices Act," an endeavor to slow illegal immigration into Tennessee, was passed by the full Senate. It would require companies hiring W-2 employees to verify their immigration status within three days of employment by using a pilot program offered by the federal department of homeland security. Senator

Douglas Henry (D-Nashville) objected to the legislation, characterizing it as harassment of small businesses, but his was one of only two “no” votes against the measure. On the House side, the bill has yet to clear the Government Operations Committee.

In a separate attempt to reduce employment of illegal immigrants, Representative Ben West (D-Hermitage) proposed legislation (also in House Government Operations) that would require all hospitality businesses to be licensed by the commissioner of commerce and insurance. The expectation would be that this additional license would help to enforce the collection of payroll taxes and unemployment insurance premiums. The bill was debated heavily, with opponents arguing that requiring an additional license would be cumbersome to these businesses that comprise the second largest industry in the state. The bill was eventually deferred one week to give the sponsor time to counter objections.

In the House Consumer/Employee Affairs Committee, Tom DuBois (R-Columbia) advanced his bill to give state and local law enforcement agencies the authority to enforce the statute prohibiting the hiring of illegal immigrants. Senate sponsor Bill Ketron (R-Murfreesboro) delayed the Senate version on the floor.

Legislative Briefs

A bill to require hearing screenings for newborns (and requiring health insurance coverage for those screenings) failed in the Senate Commerce Committee. The sponsor was Tim Burchett (R-Knoxville).

Legislation to raise Tennessee’s minimum wage advanced to the full House. The bill, sponsored by Representative Mike Turner (D-Old Hickory), adopts the federal minimum wage, but provides for a cost-of-living increase whenever Congress fails to increase the minimum wage for five years.

In the Senate State and Local Government Committee, Senator Bill Ketron (R-Murfreesboro) proposed a bill requiring that the state reimburse counties for housing felons and certain other prisoners at a minimum rate of \$40.00 per prisoner per day. The bill passed and will next be heard by the Senate Finance Committee.

Both houses passed legislation to change the date of the primary election from the second Tuesday to the first Tuesday in February. The bill now awaits the Governor’s signature.

Video Services Update

The session's most hotly debated pro-consumer legislation between AT&T, the cable industry and local government organizations advanced to the full House Commerce Committee this week on a vote of 8-6. A coalition of rural members hopes to guarantee better broadband access for their areas through this debate. During the subcommittee hearing, AT&T begrudgingly watched an amendment added that would require some build-out. The bill will be a heated argument every step of the way.

Tobacco's Slide

Data from the USDA shows that this year's tobacco production in Tennessee will be 750 acres less than last year, the eighth straight year that production has declined. Tennessee had been the third largest producer for years behind Kentucky and North Carolina. This year South Carolina, Virginia, and perhaps even Georgia will out-produce the Volunteer State.

Federal price supports that sustained the quota system ended in 2005. A free market emerged, and tobacco prices crashed as tobacco production increased nationally. Small producers in Tennessee were left with a "get big or get out" option. Five to ten acres of tobacco – typical of smaller producers – declined in profitability. Agricultural enhancements (currently being discussed in the legislature) are designed, in part, to help farmers' transition out of tobacco to more profitable crops. Notably, dark fired tobacco – used to make smokeless tobacco products – has become relatively more profitable, and production in Tennessee is expected to increase at least 10 percent this year.

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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

