



BILL HASLAM
Governor

**STATE OF TENNESSEE
DEPARTMENT OF REVENUE
ANDREW JACKSON STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37242**

DAVID GERREGANO
Commissioner

December 27, 2018

Senator Bo Watson, Chairman
Senate Finance, Ways, and Means Committee
706 Cordell Hull Building
Nashville, TN 37243

Chairman
House Finance, Ways, and Means Committee
Cordell Hull Building
Nashville, TN 37243

Dear Committee Chairmen:

The Department of Revenue is providing the attached report to you pursuant to Public Chapter 251 (2017). The report includes information related to tax credits claimed under Tenn. Code Ann. §§ 67-4-2009 and 67-4-2109. The totals included in the report are for credits claimed for tax periods ending during the fiscal year beginning July 1, 2017 and ending June 30, 2018.

The first report required by Public Chapter 251 (2017) was provided last December. The Department updated and simplified the format of this year's report based upon the feedback we received on last year's report.

Additionally, we have included an update to last year's report along with the current report. The information in each year's report is limited to tax returns filed as of the date the report is compiled. Last year's report, for instance, included all credits reported prior to December 7, 2017. The updated FY17 report accounts for returns submitted after that date. Likewise, the Department will update the FY18 report next year.

I am pleased to be able to provide this information to you. Should you have any questions regarding this information, please do not hesitate to contact me at (615) 741-2461 or via email at David.Gerregano@tn.gov.

Sincerely,

A handwritten signature in black ink that reads "David Gerregano".

David A. Gerregano

Attachments

Fiscal Year 2018 Tennessee Tax Credit Report

Credits Claimed for Tax Periods Ending from July 1, 2017 to June 30, 2018

Credit Name	Description	Number of New Jobs	Number of Taxpayers	Credits Claimed for FY 2018
Gross Premiums Tax Credit	Gross premiums tax paid - 67-4-2009(1), 67-4-2109(c)	N/A	110	\$7,969,562
TN Income Tax Credit	TN Hall Income Tax Paid - 67-4-2009(7)	N/A	431	\$958,643
Brownfield Property Credit	Percentage of purchase price of brownfield property, capital investment required - 67-4-2009(8)	N/A	-	-
Green Energy Credit	Green energy purchase of electricity at rate in excess of maximum certified rate, capital investment required - 67-4-2109(m)	N/A	-	-
Headquarters Relocation Expense Credit	Qualified headquarters facility relocation expenses, job creation and capital investment required - 67-4-2109(g)	0	0	\$0
Loss Carryover Credit	Headquarters qualifying for credit in 67-6-224 for net operating loss or loss carryover - 67-4-2109(i)	-	-	-
Community Investment Credit	Financial institutions investing in housing loans, grants in community - 67-4-2109(h)	N/A	45	\$19,894,894
Rural and Small Business Opportunity Fund Credits	Financial institutions contributing to rural opportunity or small business funds - 67-4-2109(l)	N/A	9	\$920,918
Industrial Machinery Credit	Purchase price of industrial machinery, required capital investment for enhanced credit - 67-4-2009(3)	N/A	1,562	\$42,038,459
Qualifying Environmental Project Credit	Investment in qualifying environmental project, capital investment required - 67-4-2009(3)(J)	N/A	-	-
Job Tax Credit	Standard Job Tax Credit, job creation and capital investment required - 67-4-2109(b)(1)	6,299	272	\$23,347,321
Disabilities Job Tax Credit	Job creation for persons with disabilities, job creation required - 67-4-2109(f)	-	-	-
Community Resurgence Job Tax Credit	Job creation in high-poverty area, job creation required - 67-4-2109(q)	-	-	-
Additional Annual Job Tax Credit	Additional annual job tax credit in enhancement counties, Tier 2, 3 and 4 Counties - 67-4-2109(b)(2)(A)	N/A	55	\$12,092,275
Additional Annual Job Tax Super Credit	Additional annual job tax credit for higher level of investment and job creation such as \$100 million/100 jobs down to \$10 million/100 headquarters jobs - 67-4-2109(b)(2)(B)	N/A	11	\$15,499,024
Number of Taxpayers Claiming Credits			2,509	
Total Credits Claimed				\$134,394,653

Appendix A: Job Tax Credits by Nature of Business

Credits Claimed for Tax Periods Ending from July 1, 2017 to June 30, 2018

The nature of business of the taxpayers claiming tax credits is available for job tax credit. To be eligible for this credit, a taxpayer must be a "qualified business enterprise" as defined by Tenn. Code Ann. § 67-4-2109(a)(5). The table below provides information by "qualified business enterprise."

Nature of Business	Number of New Jobs	Number of Taxpayers	Credits Claimed for FY 2018
Call Centers	160	16	\$865,591
Computer Services	22	9	\$304,087
Convention and Trade Show Facilities	-	-	-
Headquarters Facilities	1,156	38	\$3,431,025
High-Skill High-Wage Jobs in High-Technology, Emerging Occupations and Skilled Manufacturing Jobs	-	-	-
Manufacturing	4,115	174	\$13,060,112
Research and Development	-	-	-
Tourism Related Industries	-	-	-
Warehousing and Distribution	672	32	\$5,111,195

Source: Tennessee Department of Revenue - Tax Return Information as of 11/29/2018

Appendix B: Report Notes

This report includes tax credits claimed under Tenn. Code Ann. §§ 67-4-2009 and 67-4-2109 for tax periods ending during the fiscal year beginning July 1, 2017 and ending June 30, 2018.

The total potentially available tax credits carried over into this fiscal year is \$878,124,622. The amount of carryover that is industrial machinery credit is \$731,565,686. The amount of carryover that is job tax credit is \$146,297,231. The remaining totals are suppressed so as not to violate taxpayer confidentiality.

Where no data is included as indicated by "-", values have been suppressed so as not to violate taxpayer confidentiality.

The data provided is from tax returns filed with the Department as of November 29, 2018.

Updated Fiscal Year 2017 Tennessee Tax Credit Report

Credits Claimed for Tax Periods Ending from July 1, 2016 to June 30, 2017

Credit Name	Description	Number of New Jobs	Number of Taxpayers	Credits Claimed for FY 2017
Gross Premiums Tax Credit	Gross premiums tax paid - 67-4-2009(1), 67-4-2109(c)	N/A	123	\$5,740,379
TN Income Tax Credit	TN Hall Income Tax Paid - 67-4-2009(7)	N/A	367	\$1,163,719
Brownfield Property Credit	Percentage of purchase price of brownfield property, capital investment required - 67-4-2009(8)	N/A	-	-
Green Energy Credit	Green energy purchase of electricity at rate in excess of maximum certified rate, capital investment required - 67-4-2109(m)	N/A	-	-
Headquarters Relocation Expense Credit	Qualified headquarters facility relocation expenses, job creation and capital investment required - 67-4-2109(g)	0	0	\$0
Loss Carryover Credit	Headquarters qualifying for credit in 67-6-224 for net operating loss or loss carryover - 67-4-2109(i)	-	-	-
Community Investment Credit	Financial institutions investing in housing loans, grants in community - 67-4-2109(h)	N/A	51	\$16,018,344
Rural and Small Business Opportunity Fund Credits	Financial institutions contributing to rural opportunity or small business funds - 67-4-2109(l)	N/A	14	\$802,181
Industrial Machinery Credit	Purchase price of industrial machinery, required capital investment for enhanced credit - 67-4-2009(3)	N/A	1,832	\$94,964,975
Qualifying Environmental Project Credit	Investment in qualifying environmental project, capital investment required - 67-4-2009(3)(J)	N/A	-	-
Job Tax Credit	Standard Job Tax Credit, job creation and capital investment required - 67-4-2109(b)(1)	11,105	359	\$49,358,639
Disabilities Job Tax Credit	Job creation for persons with disabilities, job creation required - 67-4-2109(f)	-	-	-
Community Resurgence Job Tax Credit	Job creation in high-poverty area, job creation required - 67-4-2109(q)	-	-	-
Additional Annual Job Tax Credit	Additional annual job tax credit in enhancement counties, Tier 2, 3 and 4 Counties - 67-4-2109(b)(2)(A)	N/A	81	\$20,064,861
Additional Annual Job Tax Super Credit	Additional annual job tax credit for higher level of investment and job creation such as \$100 million/100 jobs down to \$10 million/100 headquarters jobs - 67-4-2109(b)(2)(B)	N/A	13	\$25,244,894
Number of Taxpayers Claiming Credits			2,849	
Total Credits Claimed				\$218,551,599

Appendix A: Job Tax Credits by Nature of Business

Credits Claimed for Tax Periods Ending from July 1, 2016 to June 30, 2017

The nature of business of the taxpayers claiming tax credits is available for job tax credit. To be eligible for this credit, a taxpayer must be a "qualified business enterprise" as defined by Tenn. Code Ann. § 67-4-2109(a)(5). The table below provides information by "qualified business enterprise."

Nature of Business	Number of New Jobs	Number of Taxpayers	Credits Claimed for FY 2017
Call Centers	586	22	\$1,853,906
Computer Services	157	12	\$542,589
Convention and Trade Show Facilities	-	-	-
Headquarters Facilities	906	46	\$4,717,267
High-Skill High-Wage Jobs in High-Technology, Emerging Occupations and Skilled Manufacturing Jobs	-	-	-
Manufacturing	7,790	236	\$32,596,971
Research and Development	-	-	-
Tourism Related Industries	-	.	-
Warehousing and Distribution	1,590	39	\$8,698,755

Source: Tennessee Department of Revenue - Tax Return Information as of 12/12/2018

Appendix B: Report Notes

This report includes tax credits claimed under Tenn. Code Ann. §§ 67-4-2009 and 67-4-2109 for tax periods ending during the fiscal year beginning July 1, 2016 and ending June 30, 2017.

The total potentially available tax credits carried over into this fiscal year is \$1,298,506,796. The amount of carryover that is industrial machinery credit is \$1,083,971,819. The amount of carryover that is job tax credit is \$214,404,977. The remaining totals are suppressed so as not to violate taxpayer confidentiality.

Where no data is included as indicated by "-", values have been suppressed so as not to violate taxpayer confidentiality.

The data provided is from tax returns filed with the Department as of December 12, 2018.