



TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations



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MEMORANDUM

TO: Commission Members

FROM: Cliff Lippard *Cliff*
Interim Executive Director

DATE: 30 August 2016

SUBJECT: The Privilege Tax in Tennessee: Taxing Professionals Fairly—Draft Report for Review and Comment

The attached commission report is submitted for your review and comment. The report responds to Public Chapter 1024, Acts of 2016, which directs the Commission to study and make recommendations relative to the professional privilege tax, considering the application of the tax—or its non-application as the case may be—to various occupations, businesses, and professions, including those not listed in Tennessee Code Annotated, Section 67-4-1702 and to both residents and nonresidents. It also requires the Commission to examine the history and intent of the professional privilege tax, other states' laws imposing a professional privilege tax or similar tax, and alternatives for eliminating or phasing it out.

In addition, the Commission is directed to study Senate Bill 1919 by Senator Bowling and its companion, House Bill 1951 by Representative Hazelwood, which would have exempted nonresident licensees from the professional privilege tax, Senate Bill 167 by Bowling and its companion, House Bill 601 by Durham, which would have exempted audiologists and speech pathologists from the tax, and the original language of Senate Bill 556 by Bowling and its companion House Bill 678 by Van Huss, which became Public Chapter 1024. As introduced, the legislation would have decreased the privilege tax annually by 20% over the next five years, eliminating it in 2019 and thereafter, and would have prohibited the tax from being applied more than once for a single person having multiple professions affected by the tax. It also would have prohibited any new tax upon the privilege of engaging in certain professions, businesses, and occupations.

A final report reflecting your guidance will be submitted for approval at the next Commission meeting.