



State of Tennessee

PUBLIC CHAPTER NO. 1019

HOUSE BILL NO. 2570

By Representatives McCormick, Madam Speaker Harwell, Kevin Brooks, Williams, Halford, Doss, Reedy, Powers, Fitzhugh, Moody, Hazlewood, Weaver, Byrd, Littleton, Windle, Kane, Ramsey, Carter, Shepard, Beck, Alexander, Harry Brooks, Johnson, Kumar, Dunlap, Sanderson, Holt, Travis, Ragan, Shaw, Casada, Eldridge, Holsclaw, Forgety, Howell, McDaniel, Jenkins, Marsh, Butt, Dunn, Hardaway, Terry, Durham

Substituted for: Senate Bill No. 2538

By Senators Norris, Stevens, Gresham, Jackson, Crowe, Yager, Gardenhire, Haile, Kelsey, Massey, Overbey, Tracy, Bailey, Bowling, Hensley, Niceley, Yarbrow

AN ACT to amend Tennessee Code Annotated, Title 4, Chapter 3 and Title 67, Chapter 4, relative to economic development in rural areas.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. This act shall be known and may be cited as the "Rural Economic Opportunity Act of 2016".

SECTION 2. Tennessee Code Annotated, Title 4, Chapter 3, Part 7, is amended by adding the following language as a new, appropriately designated section:

(a) The propelling rural economic progress fund, referred to as the "P.R.E.P. fund" in this part, is established as a separate account in the general fund.

(b) The P.R.E.P. fund shall be composed of:

(1) Funds appropriated by the general assembly for the P.R.E.P. fund; and

(2) Gifts, grants, and other donations received by the department of economic and community development for the P.R.E.P. fund.

(c) Monies in the P.R.E.P. fund may be used by the department of economic and community development for program administration, marketing expenses, and program evaluation; however, such expenses shall not exceed five percent (5%) of the total amount appropriated for the program in any fiscal year.

(d) Subject to the availability of revenue at the end of each fiscal year, the commissioner of finance and administration is authorized to carry forward any amounts remaining in the P.R.E.P. fund or transfer any part of the fund to the revenue fluctuation reserve.

(e) Monies in the P.R.E.P. fund shall be invested by the state treasurer pursuant to title 9, chapter 4, part 6, for the sole benefit of the P.R.E.P. fund, and interest accruing on investments and deposits of the P.R.E.P. fund shall be returned to and remain part of the P.R.E.P. fund.

(f) To the extent practicable, monies from the P.R.E.P. fund shall be spent in all three (3) grand divisions of the state.

(g) New commitments made by the commissioner for grants from the P.R.E.P. fund shall not exceed the appropriations made for the purposes of the program. In each fiscal year, the P.R.E.P. fund shall be managed so that actual expenditures and obligations to be recognized at the end of the fiscal year shall not exceed any available reserves and appropriations of the programs.

(h) At least quarterly, the commissioner shall report to the commissioner of finance and administration the status of the commitments from the P.R.E.P. fund. The report shall include at least the following information: the amount of each commitment accepted since the previous report; the applicant receiving the benefit of each commitment; the total outstanding commitments; and the total unobligated balance. A copy of the report shall be transmitted to the speaker of the house of representatives and the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state.

SECTION 3. Tennessee Code Annotated, Title 4, Chapter 3, Part 7, is further amended by adding the following language as a new, appropriately designated section:

(a) Grants from the P.R.E.P. fund created in SECTION 2 of this act may be made in all counties where the commissioner of economic and community development determines that the grants will have a direct impact on employment and investment opportunities in the future.

(b) Grants from the P.R.E.P. fund may be made only to local governments or their economic development organizations, other political subdivisions of the state, any subdivision of state government, or to not-for-profit organizations.

(c) Grants from the P.R.E.P. fund may be used to facilitate economic development activities in rural areas or in a manner that directly impacts rural areas. These activities include: site development activities; infrastructure activities; tourism-related activities; planning activities; training and mentoring activities; entrepreneurship activities; significant technological improvements; or other economic development activities determined by the commissioner of economic and community development to have a beneficial impact on the economy of this state.

(d) Notwithstanding any other law to the contrary, the department shall post the following information on its web site at least quarterly:

(1) The name of each P.R.E.P. fund grant recipient;

(2) The amount of each P.R.E.P. fund grant; and

(3) A description of the project to be funded by each P.R.E.P. fund grant.

SECTION 4. Tennessee Code Annotated, Section 67-4-2109(a)(2)(C), is amended by deleting the subdivision in its entirety and substituting instead the following language:

(C) Upon determining that a county qualifies as an enhancement county under subdivision (a)(2)(A) or (a)(2)(B), the department of economic and community development shall designate the county as a tier 1, tier 2, tier 3, or tier 4 enhancement county based on unemployment, per capita income, and poverty levels of all Tennessee counties using statistical data prepared by any agency of the state or federal government no later than July 1 of each year. A list of all tier 1, tier 2, tier 3, and tier 4 enhancement counties shall be published annually by the department of economic and community development;

SECTION 5. Tennessee Code Annotated, Section 67-4-2109(b)(1)(C), is amended by deleting the subdivision in its entirety and substituting instead the following language:

(C) In order to qualify for the credit, the qualified business enterprise must, within the investment period, make the required capital investment and create at least twenty-five (25) qualified jobs; provided, that if the qualified business enterprise is located in a tier 3 enhancement county, the qualified business enterprise must, within the investment period, make the required capital investment and create at least twenty (20) qualified jobs; provided further, that if the qualified business enterprise is located in a tier 4 enhancement county, the qualified business enterprise must, within the investment period, make the required capital investment and create at least ten (10) qualified jobs. The credit provided in subdivision (b)(1)(A) shall first apply in the tax year in which the qualified business enterprise first satisfies the capital investment and job creation

requirements and in subsequent tax years within the investment period in which further net increases occur above the level of employment established when the credit was last taken.

SECTION 6. Tennessee Code Annotated, Section 67-4-2109(b)(2)(A), is amended by deleting the subdivision in its entirety and substituting instead the following language:

(A) If the qualified business enterprise is located in a tier 2, tier 3, or tier 4 enhancement county, an annual credit shall be allowed as follows:

(i) If the qualified business enterprise is located in a tier 2 enhancement county, the additional annual credit shall be allowed for a period of three (3) years beginning with the first tax year in which the qualified business enterprise applies the credit in accordance with subdivision (b)(2)(D);

(ii) If the qualified business enterprise is located in a tier 3 enhancement county, the additional annual credit shall be allowed for a period of five (5) years beginning with the first tax year in which the qualified business enterprise applies the credit in accordance with subdivision (b)(2)(D);

(iii) If the qualified business enterprise is located in a tier 4 enhancement county, the additional annual credit shall be allowed for a period of five (5) years beginning with the first tax year in which the qualified business enterprise applies the credit in accordance with subdivision (b)(2)(D); and

(iv) The additional annual credit shall equal four thousand five hundred dollars (\$4,500) for each qualified job; provided, that the job remains filled by employees during the year in which the credit is taken. This annual credit may be used to offset up to one hundred percent (100%) of the taxpayer's franchise and excise tax liability for that year. Any unused annual credit, however, shall not be carried forward beyond the year in which the credit originated;

SECTION 7. Tennessee Code Annotated, Section 67-4-2109(b)(2)(C), is amended by deleting the subdivision in its entirety and substituting instead the following language:

(C) If the qualified business enterprise is located in an area designated as an adventure tourism district pursuant to § 11-11-204(c), an annual credit shall be allowed as follows:

(i) If the qualified business enterprise is located in a tier 1 enhancement county, the additional annual credit shall be allowed if the qualified business enterprise creates at least twenty-five (25) qualified jobs;

(ii) If the qualified business enterprise is located in a tier 2 enhancement county, the additional annual credit shall be allowed if the qualified business enterprise creates at least nineteen (19) qualified jobs;

(iii) If the qualified business enterprise is located in a tier 3 enhancement county, the additional annual credit shall be allowed if the qualified business enterprise creates at least thirteen (13) qualified jobs;

(iv) If the qualified business enterprise is located in a tier 4 enhancement county, the additional annual credit shall be allowed if the qualified business enterprise creates at least ten (10) qualified jobs;

(v) The additional annual credit shall be allowed for a period of three (3) years for a qualified business enterprise located in a tier 1 or tier 2 enhancement county, beginning with the first tax year in which the qualified business enterprise applies the credit in accordance with subdivision (b)(2)(D);

(vi) The additional annual credit shall be allowed for a period of five (5) years for a qualified business enterprise located in a tier 3 or tier 4 enhancement county, beginning with the first tax year in which the qualified business enterprise applies the credit in accordance with subdivision (b)(2)(D); and

(vii) The additional annual credit shall equal four thousand five hundred dollars (\$4,500) for each qualified job; provided, that the job remains filled by employees during the year in which the credit is being taken. This annual credit may be used to offset up to one hundred percent (100%) of the taxpayer's franchise and excise tax liability for that year. Any unused annual credit, however, shall not be carried forward beyond the year in which the credit originated.

SECTION 8. Tennessee Code Annotated, Section 67-4-2109(b)(3)(C), is amended by deleting the subdivision in its entirety and substituting instead the following language:

(C) If the qualified business enterprise is located in a tier 2 enhancement county, the taxpayer shall have three (3) years in order to create the minimum number of qualified jobs necessary to receive the credit. If the qualified business enterprise is located in a tier 3 or tier 4 enhancement county, the taxpayer shall have five (5) years to create the minimum number of qualified jobs necessary to receive the credit;

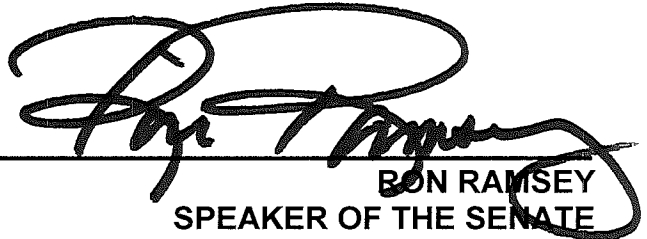
SECTION 9. This act shall take effect July 1, 2016, the public welfare requiring it, and Sections 4 through 8 shall apply to tax years ending on or after July 1, 2016.

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PASSED: April 18, 2016

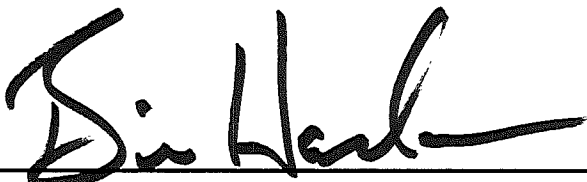


BETH HARWELL, SPEAKER
HOUSE OF REPRESENTATIVES



RON RAMSEY
SPEAKER OF THE SENATE

APPROVED this 28th day of April 2016



BILL HASLAM, GOVERNOR