

Tennessee Summary

State and Local Sales Tax Revenue Losses from E-Commerce: Updated Estimates

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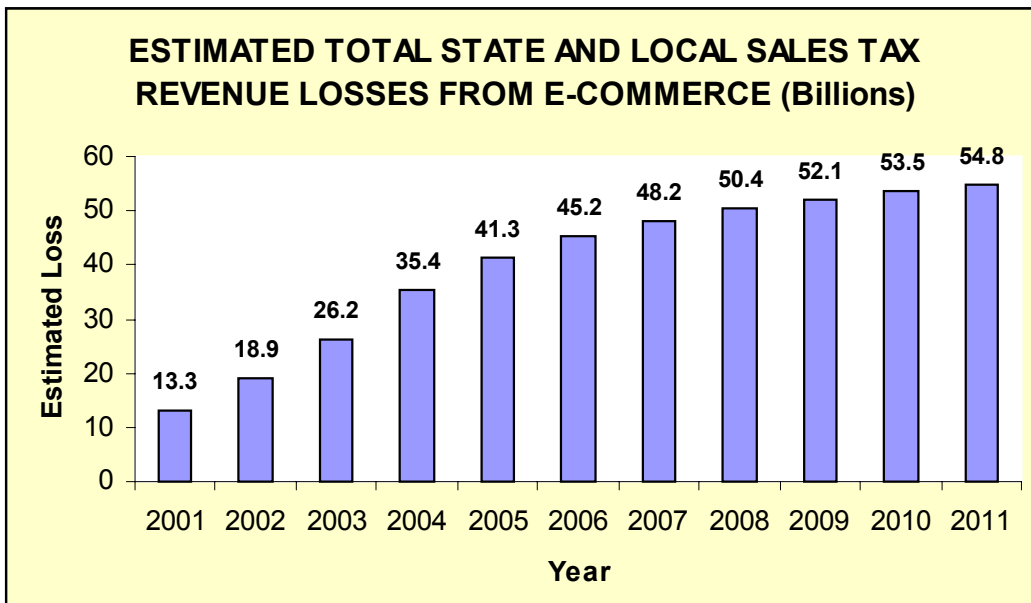
*We are grateful to the Institute for State Studies for acquiring
the Forrester Research, Inc. e-commerce forecast used in this study.*

Tennessee Summary

TOTAL REVENUE LOSSES DUE TO E-COMMERCE:

National Estimates

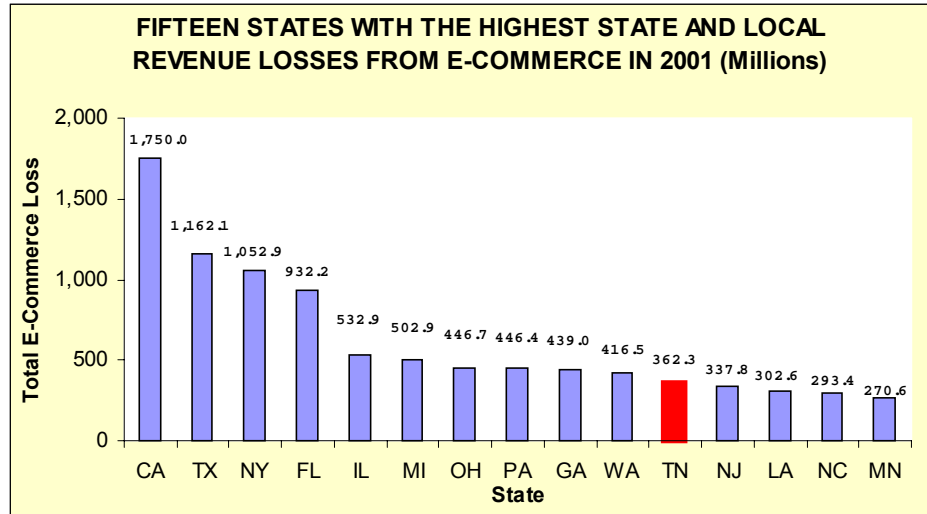
- Nationwide, state and local governments stand to lose \$13.3 billion in 2001 due to the inability to collect sales and use taxes on electronic commerce transactions. This number rises to \$45.2 billion in 2006 and \$54.8 billion in 2011.
- The state government share of these total loss estimates is 2.06% of total state taxes in 2001, 5.59% in 2006, and 5.39% in 2011.
- The local government share amounts to 0.67% of total local taxes in 2001, 1.83% in 2006, and 1.76% in 2011.



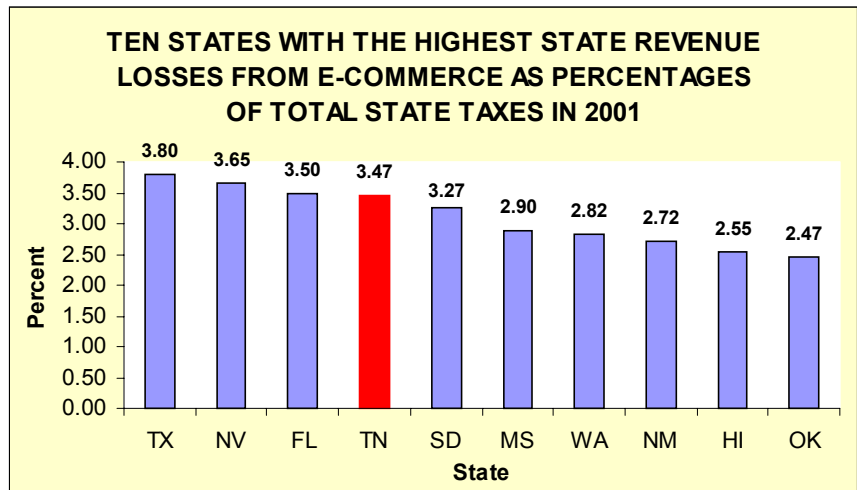
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Tennessee Estimates

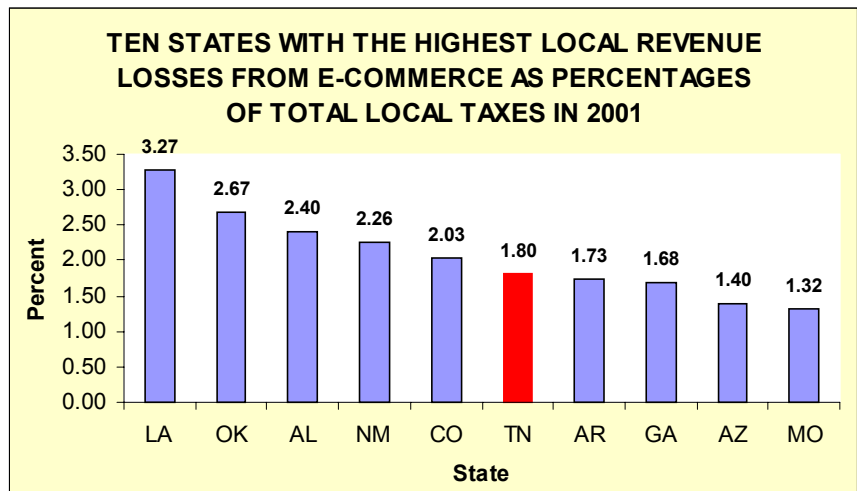
- Tennessee's total state and local e-commerce loss will be \$362.3 million in 2001, \$1,242.8 million in 2006, and \$1,518.7 million in 2011. Tennessee ranks **11th** overall in terms of the dollar value of revenue losses.



- The state share of Tennessee's state and local loss will amount to 3.47% of total state taxes in 2001, 9.39% in 2006, and 9.04% in 2011. Tennessee ranks **4th** overall.



- The local share amounts to 1.80% of total local taxes in Tennessee in 2001, 4.87% in 2006, and 4.69% in 2011. Tennessee ranks **6th** overall in this category.



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NEW REVENUE LOSSES DUE TO E-COMMERCE:

Part of the above total e-commerce losses would have been lost even without e-commerce, as consumers and businesses would have made some internet transactions via other remote channels (e.g., catalog or phone). A *new* revenue loss occurs only to the extent that taxes on e-commerce transactions would have been paid in the absence of e-commerce, or if new taxable sales are generated by e-commerce.

- Of the \$13.3 billion national e-commerce loss in 2001, \$7.0 billion represents a *new* revenue loss. The new loss rises to \$24.2 billion (out of a total of \$45.2 billion) in 2006 and \$29.2 billion (out of a total of \$54.8 billion) in 2011.
- The new revenue loss estimates for Tennessee are \$191.9 million in 2001, \$664.1 million in 2006, and \$807.7 million in 2011. Again, Tennessee ranks **11th** in the nation in this category.

NEW E-COMMERCE LOSSES COMBINED WITH TREND LOSSES:

Other factors are also reducing sales tax collections across the nation, including the general shift in consumption away from taxed goods toward untaxed services, and the continued process of legislated exemptions.

National Estimates

- Combining the new e-commerce losses with other elements of the trend loss, the national combined state and local revenue loss will be \$16.4 billion in 2001, \$44.7 billion in 2006, and \$66.2 billion in 2011.
- The state share of this combined total amounts to 2.55% of total state taxes in 2001, 5.53% in 2006, and 6.51% in 2011.
- The local share of this combined total amounts to 0.83% of total local taxes in 2001, 1.80% in 2011, and 2.12% in 2011.

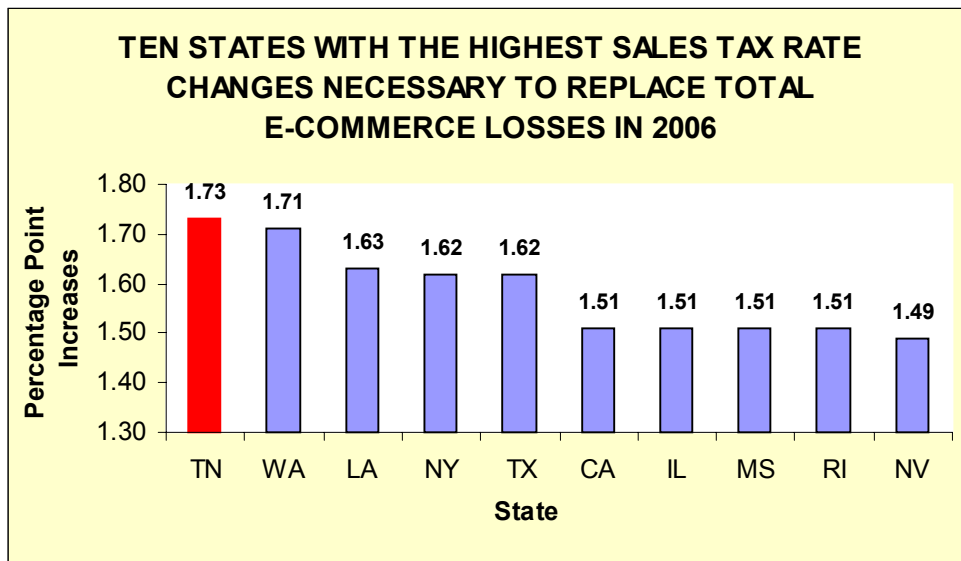
Tennessee Estimates

- The combined state and local loss in Tennessee will be \$450.7 million in 2001, \$1,242.6 million in 2006, and \$1,860.3 million in 2011. Tennessee ranks **11th**.
- The state share of the combined total loss amounts to 4.31% of total state taxes in 2001, 9.39% in 2006, and 11.07% in 2011. Tennessee ranks **4th**.
- The local share of the combined total loss amounts to 2.24% of total local taxes in 2001, 4.87% in 2006, and 5.74% in 2011. Tennessee ranks **6th**.

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NECESSARY SALES TAX RATE INCREASES IN TENNESSEE:

- To recover only the new e-commerce losses in 2006, Tennessee's (weighted average) state and local sales tax rate would need to rise by 0.91 percentage points. For 2011, the necessary rate increase would be 0.94 percentage points.
- To recover the combined (new e-commerce plus trend) losses, Tennessee's sales tax rate would need to rise by 1.58 percentage points in 2006 and 1.93 percentage points in 2011.
- The necessary sales tax rate increases are higher in Tennessee than in any other state.



For additional information, see our full report entitled "State and Local Sales Tax Revenue Losses from E-Commerce: Updated Estimates" at <http://cber.bus.utk.edu/>.