



**BILL HASLAM**  
GOVERNOR  
STATE OF TENNESSEE

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**HASLAM UNVEILS COMPREHENSIVE TAX CUT, TRANSPORTATION PROPOSAL**  
*IMPROVE Act is the first piece of the governor's NextTennessee legislative agenda*

NASHVILLE – Joined by mayors from across the state and leaders in the manufacturing and trucking industries, Tennessee Gov. Bill Haslam today announced a comprehensive and strategic plan to cut taxes on food and manufacturing while updating how the state provides Tennesseans the safe and reliable transportation network needed to support future job growth.

The IMPROVE Act, “Improving Manufacturing, Public Roads and Opportunities for a Vibrant Economy,” is the first piece of Haslam’s NextTennessee legislative plan, policy proposals aimed at building and sustaining economic growth and the state’s competitiveness for the next generation of Tennesseans.

“Under the conservative fiscal leadership of the General Assembly and this administration, state government is smaller, \$500 million in recurring costs have been cut out of the state’s operating budget, and together we’ve cut taxes by \$270 million annually,” Haslam said. “Because we are a smaller, less tax reliant state government, it is time to build on the vision of what the future of Tennessee looks like and requires. This proposal is the next step in the conversation about how we’re going to position the state to address expected growth, maintain Tennessee’s economic momentum and remain competitive as we continue recruiting high quality jobs.”

The IMPROVE Act cuts the sales tax on groceries another .50 percent (\$55 million) to 4.5 percent, making a total cut to the sales tax on food of 1 percent, or \$101 million, during Haslam’s administration; makes Tennessee’s franchise and excise tax on manufacturing businesses more competitive by allowing companies to go to a “single weighted sales factor” (\$113 million); and cuts the Hall income tax 1.5 percent this year with a commitment to cut it another 1.5 percent next year (3 percent, \$102 million) – a tax that is statutorily required to be eliminated by 2022 but without a specific schedule to do so. IMPROVE cuts taxes by an estimated \$270 million annually, bringing the total number of cuts made and proposed since 2011 to \$540 million annually, roughly nine times more than any other administration.

The IMPROVE Act also includes a balanced and equitable transportation plan that keeps Tennessee a pay-as-you-go state and its roads debt free. Tennessee last addressed how it funds its roads and bridges in 1989 when it raised its fixed tax rate to 21.4 cents per gallon, creating a transportation network that spurred the economic growth the state has seen during the last three decades. Due to inflation, increases in construction costs and the cost of land and better gas



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mileage, the state comptroller estimates that 21.4 cents in 1989 is now worth approximately 11 cents a gallon.

In July 2015, Haslam launched a statewide discussion on the state's transportation and infrastructure needs. In November 2015, he put out a list of projects already approved by the General Assembly but lacking funding, in addition to project needs heard during the 15 meetings across the state.

The IMPROVE Act increases the road user fee by 7 cents for a gallon of gas and 12 cents for a gallon of diesel and increases car registration fees by \$5 for the average passenger vehicle. It places an annual road user fee on electric vehicles and increases charges on vehicles using alternative fuels. The proposal also includes a 3 percent charge on rental cars and changes the state's open container law to allow the Tennessee Department of Transportation flexibility to use \$18 million in existing federal dollars on roads. Fuel taxes would be indexed – but also capped – to the Consumer Price Index in order to keep up with the rate of inflation.

The IMPROVE Act would bring in \$278 million in new dollars to the state for projects while limiting the impact on the average Tennessee motorist to approximately \$4 a month. All funds would go toward transportation, including the 2 percent typically reverted to the General Fund, to provide funding for 962 projects across all 95 counties plus an additional \$39 million to cities and \$78 million to counties. The legislation would also allow municipalities, only if approved by local voters through referendum, to impose a surcharge on their sales tax rate that would be solely dedicated to public transit projects.

The governor also announced that his FY 2017-2018 budget proposal would use surplus one-time funds to finish repaying the Highway Fund by transferring \$120 million from the General Fund.

“We've lowered the cost of government and experienced revenue growth so we're lowering the cost of food and bringing business taxes on manufacturers more in line with our neighbors. At the same time we have to ensure we have a transportation network that is not only highly ranked but also debt-free, just like it was given to us,” Haslam added. “Together these proposed tax cuts and investments will move the state forward and position the next Tennessee for continued growth, prosperity and opportunity for our children and grandchildren.”

Additional pieces of the governor's NextTennessee plan will be announced in the coming weeks. Haslam is scheduled to deliver his annual State of the State address on January 30.

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