



TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations



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MEMORANDUM

TO: Commission Members

FROM: Cliff Lippard *Cliff*
Executive Director

DATE: 5 September 2019

SUBJECT: Public Chapter 952, Acts Of 2018 (Credit to Shippers' Franchise and Excise Tax Liability)—Final Report for Approval

The attached Commission report is submitted for your approval. It was prepared in response to Public Chapter 952, Acts of 2018, which directed the Commission to study a proposal that would provide a franchise and excise tax credit of 2% to any shipper if that shipper implements a turnaround policy to ensure that pickups and deliveries are performed on time and seeks to incentivize shippers to turn freight quicker. Agreed upon pickup and delivery times could not exceed two hours. The shipper would also provide contact information for the authorized parties involved in the pickup and delivery. The proposal only applies to companies with pickups or deliveries originating or terminating in Shelby County but is not limited to companies with a location in that county. Therefore companies from across Tennessee and from outside Tennessee would be eligible for the credit. The Act requires the Commission to report its findings and recommendations, including any proposed legislation, by February 1, 2020.

Tennessee's economy depends on the efficient movement of goods, with well over a third of the state's gross domestic product attributable to industries and businesses that rely heavily on freight transportation. Trucks carry most shipments originating in Tennessee. Trucking industry profitability improves with productivity, and productivity improves when drivers can pick up and deliver their loads as scheduled. But drivers sometimes experience delays—known as driver detention—at shipping and receiving facilities. Such delays can be costly to motor carriers, drivers, shippers, and the overall economy. Consistent driver income is a factor in whether people choose to

become or remain truck drivers, and driver recruitment and retention are critical to the industry, which faces competition from other industries for qualified employees.

Drivers are usually paid based on the number of miles driven, plus bonuses, but the per-mile rate varies by employer and often by driver experience and the type of cargo. Although some drivers occasionally receive pay for detention time, industry stakeholders say such pay is often difficult to get and not always as much as drivers would receive if they were on the road. Because the logistics and transportation industry is already using new technology to streamline logistics and improve efficiency, because there is no enforcement mechanism to ensure that a shipper's turnaround policy is actually implemented and maintained, and because it is unclear whether the proposed credit would result in reduced turnaround time, greater productivity, and more consistent driver pay, **the report recommends that the proposed credit not be adopted at this time.**