



# TACIR INSIGHT

TENNESSEE ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

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## SHIPPER'S CREDIT TO FRANCHISE AND EXCISE TAXES IN TENNESSEE

### Background

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.

Driver detention concerns prompted the legislature to pass 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. The Commission's report explains that the logistics and transportation industry is already using new technology to streamline logistics and improve efficiency, there is no enforcement mechanism to ensure that a shipper's turnaround policy is actually implemented and maintained, and it is unclear whether the proposed credit would result in reduced turnaround time, greater productivity, and more consistent driver pay.

### Findings and Recommendations

The report recommends that the proposed credit not be adopted at this time.

See TACIR's full report at the following link for additional information: <https://www.tn.gov/tacir/tacir-publications.html>