



Tourism

Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](https://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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Reference Number: MTAS-103

Appropriations to Advertise and Promote a City to Attract Tourism

Spending municipal funds for advertising to attract new industries and tourists to a community is authorized by T.C.A. §§ 6-54-201–203. A city may make general fund appropriations up to \$30,000 annually (\$60,000 if involved in a joint effort with a county, presumably \$30,000 from each, but this is not stated explicitly). Additionally, a municipal governing body may levy a tax of up to 2 cents to create a special fund for such purposes. An advertising tax in excess of that amount requires a referendum upon a petition signed by 5 percent of a city's registered voters.

Convention Center and Tourism Financing

A municipality may create a tourism development zone in an area in which a public use facility is located or planned. The zone may not exceed one mile in radius from the facility, and the facility must have more than 250,000 square feet and cost more than \$75 million. The benefit of creating a zone is that the city will receive from state and local sales and use taxes an amount equal to the incremental increase in such taxes resulting from the facility, except when the rate increases. The municipality may enter into structured lease agreements relative to these facilities. The allocation continues until the debt on the facility is paid off or it ceases to be used for public purposes. Exceptions and enhancements to this program have been added for particular facilities and for larger counties T.C.A. §§ 7-88-101, *et seq.*

Tourism Development Authority

One or more cities or counties may establish a tourism development authority that may be funded by the general fund(s) or an occupancy tax. Authority has broad powers to undertake tourism project including visitors' centers, recreational facilities and other tourism-promoting projects. The creating local government(s) is not liable for the debts of the authority. Not applicable to Shelby County. T.C.A. §§ 7-9-101, *et seq.*

Regional Tourism Funding

The state provides a \$2 match for each \$1 (up to \$35,000 in annual local expenditures) spent on regional tourism promotion. T.C.A. § 4-3-2207(b).

Hotel/Motel Tax

Many cities fund tourism promotion programs with a hotel/motel tax. Home rule cities are authorized to levy a tax of up to 5 percent. T.C.A. §§ 67-4-1401–1425. General law cities (except those in certain counties, in which the municipality may levy the tax by ordinance passed by a two-thirds vote of the governing body) and private act charter cities must have special acts to authorize the tax.

DISCLAIMER: The letters and publications written by the MTAS consultants were written based upon the law at the time and/or a specific sets of facts. The laws referenced in the letters and publications may have changed and/or the technical advice provided may not be applicable to your city or circumstances. Always consult with your city attorney or an MTAS consultant before taking any action based on information contained in this website.

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