

## Municipal Revenues

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Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](http://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.

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## Municipal Revenues

**Reference Number:** MTAS-1842

The following are a list of municipal revenues. Click on each for more detailed information.

### Real Property Tax

**Reference Number:** MTAS-1843

**Revenue Class:** Local Taxes

**Fund:** General

**Account No.:** 31111

**Description:** Ad valorem taxes levied within the municipality based on property appraisals.

**Authorization:** Article II, Section 28 of the Tennessee Constitution; T.C.A. § 67-1-701 *et seq.*; T.C.A. § 67-5-101 *et seq.*; T.C.A. § 67-5-801 *et seq.*

**Requirements or Restrictions:** Reference T.C.A.

**Current Rate:** Statutes provide that the following percentages of full value be used to determine assessments:

- Public utility real property, 55 percent (see Public Utility Property Tax, Account # 31120);
- Industrial and commercial real property, 40 percent;
- Residential and farm real property, 25 percent.

**Frequency of Payment:** Annually, between the first Monday in October and before the following March 1, unless the municipality is authorized to establish other due dates.

**Late Pay Penalty:** See Interest and Penalties – Property Tax, Account #31300.

**Exemptions:** All government, religious, charitable, scientific, literary and educational properties are exempt (Article II, Section 28 of the Tennessee Constitution and T.C.A. § 67-5-201 *et seq.*). Tax relief is offered to certain disabled and elderly home owners (Article II, Section 28 of the Tennessee Constitution and T.C.A. § 67-5-701 *et seq.*) and cities may provide by ordinance a tax freeze for qualified taxpayers over 65 years of age on their principal place of residence.

**Collection:** Property taxes are usually paid directly to the municipality. Some counties collect taxes for their municipalities, as in T.C.A. § 67-1-702 and § 67-5-1801(a). Taxes cannot be collected after ten years from April 1 of the year following the year they become delinquent. T.C.A. § 67-5-1806.

**Use Restrictions:** None.

### Personal Property Tax

**Reference Number:** MTAS-1844

**Revenue Class:** Local Taxes

**Fund:** General

**Account No.:** 31112

**Description:** *Ad valorem* taxes levied on personal property used for business purposes within incorporated municipal limits.

**Authorization:** Article II, Section 28 of the Tennessee Constitution; T.C.A. § 67-1-701 *et seq.*; T.C.A. § 67-5-101; T.C.A. § 67-5-901.

**Requirements or Restrictions:** Reference T.C.A.

**Current Rate:** Statutes provide that the following percentages of full value be used to determine assessments:

- Public utility tangible personal property, 55 percent;

- Industrial and commercial tangible personal property, 30 percent; and
- Other tangible personal property, 5 percent.

**Frequency of Payment:** Annually, between the first Monday in October and on or before the following March 1, unless the municipality is authorized to establish other due dates.

**Late Pay Penalty:** Interest of one and one half percent (1.5%) shall be added on March 1, (unless the municipality is authorized to establish other due dates) following the tax due date and on the first day of each succeeding month, except as otherwise provided in regard to municipal taxes under T.C.A. § 67-5-2010.

**Exemptions:** Inventories of merchandise held by merchants and businesses for sale and exchange by persons taxable under T.C.A. § 67-5-901(a).

**Collection:** Personal property schedules mailed out no later than February 1st by the assessor; completed and returned by March 1; collection same as real property tax. Taxes cannot be collected after 10 years from April 1 of the year following the year they become delinquent. T.C.A. § 67-5-1806.

**Use Restrictions:** None.

## Public Utility Property Tax

**Reference Number:** MTAS-1845

**Revenue Class:** Local Taxes

**Fund:** General

**Account No.:** 31120

**Description:** Taxes levied by the municipality on those corporations that provide public utilities (i.e., telephone, railroads, gas, airlines, etc.) and that are subject to government regulation.

**Authorization:** Article II, Section 28 of the Tennessee Constitution; T.C.A. § 67-5-101; T.C.A. § 67-5-801 *et seq.*; T.C.A. § 67-5-901 *et seq.*; T.C.A. § 67-5-1301 *et seq.*

**Requirements or Restrictions:** Reference T.C.A.

**Current Rate:** Assessment rate is 55 percent of the appraised value for public utility real property and tangible personal property; T.C.A. § 67-5-1302.

**Frequency of Payment:** Annually, between the first Monday in October and before the following March 1, unless the municipality is authorized to establish other due dates.

**Late Pay Penalty:** The same interest and penalties listed in Property Tax, Account #31300, are applicable, but are assessed by the comptroller.

**Exemptions:** Does not apply to corporations organized under the laws of Tennessee whose principal business is the manufacture of products of the soil of Tennessee and who for the transportation alone of such products furnish their own cars.

**Collection:** The public utilities tax roll is established and maintained by the state. Complete tax roll and tax bills are mailed to the municipality each year, which in turn re-mails the tax bill to individual taxpayers.

**Use Restrictions:** None.

## Property Taxes: Prior Years

**Reference Number:** MTAS-1846

**Revenue Class:** Local Taxes

**Fund:** General

**Account No.:** 31200

**Description:** Some people do not pay their property taxes by the due date. This represents property tax payments from previous years that are received by the municipalities.

**Authorization:** Article II, Section 28 of the Tennessee Constitution; T.C.A. § 67-1-701 *et seq.*; T.C.A. § 67-1-801 *et seq.*; T.C.A. § 67-5-801 *et seq.*; T.C.A. § 67-5-901 *et seq.*; T.C.A. § 67-5-2001 *et seq.*

**Requirements or Restrictions:** N/A

**Current Rate:** Statutes provide that the following percentages of full value be used to determine assessments:

- Public utility real and tangible personal property – 55 percent;
- Industrial and commercial real property – 40 percent;
- Industrial and commercial tangible personal property – 30 percent;
- Residential and farm real property – 25 percent;
- Other tangible personal property – 5 percent.

**Frequency of Payment:** Varies.

**Late Pay Penalty:** See Interest and Penalties – Property Tax, Account #31300.

**Exemptions:** N/A

**Collection:** There are several options for collecting delinquent property taxes, including publishing a list of delinquent taxpayers in a local newspaper, turning the delinquent list over to a tax attorney, distraint, garnishment and a tax sale. See T.C.A. § 67-5-2001 *et seq.* for a complete list and procedures.

**Use Restrictions:** N/A

## Interest on Delinquent Property Taxes

**Reference Number:** MTAS-1847

**Revenue Class:** Local Taxes

**Fund:** General

**Account No.:** 31300

**Description:** Revenue received from interest on delinquent property tax payments.

**Authorization:** T.C.A. § 67-1-701 *et seq.*; T.C.A. § 67-1-801 *et seq.*; T.C.A. § 67-5-2010.

**Requirements or Restrictions:** N/A

**Current Rate:** Interest of 1.5 percent imposed on March 1 and on the first day of **each additional month**, except as otherwise provided in reference to municipal taxes.

**Frequency of Payment:** N/A

**Late Pay Penalty:** N/A

**Exemptions:** For cities in any county having a population of not less than 24,600 nor more than 24,700 according to the federal census, upon approval by two-thirds of the governing body, the rate of interest may be reduced to an amount not less than 12 percent per year in the aggregate. In addition, members serving in the armed services in an active hostility outside the U.S. have additional time before interest accrues. T.C.A. § 67-5-2011.

**Collection:** Interest is collected, along with delinquent property taxes. T.C.A. § 67-5-2001 *et seq.*

**Use Restrictions:** None.

## Payments in Lieu of Taxes: Electric Utilities

**Reference Number:** MTAS-1848

**Revenue Class:** Local Taxes

**Fund:** General

**Account No.:** 31511

**Description:** Revenue received as payment in lieu of tax on electric system property and operations that represents the public utility's fair share of the cost of local government. Payments are based upon

the plant value of the electrical system and electric system operations. It applies only to municipalities that own an electrical distribution system and who buy power from TVA.

**Authorization:** T.C.A. § 7-52-301 *et seq.* (Municipal Electric System Tax Equivalent Law of 1987).

**Requirements or Restrictions:** Payments cannot be made to the municipality unless the following expenses are paid or provided for: operating expenses, debt payments, reasonable reserves or contingencies, and cash working capital adequate to cover operating expenses for a reasonable number of weeks. Cities that have private act or home rule charters that differ from these requirements should continue with their formulas for calculations until the tax equivalent payments exceed the tax equivalent amount paid in the fiscal year ending June 30, 1987. At that point the charter provisions are repealed and become subject to the T.C.A. requirements.

**Current Rate:** In lieu of tax payments are computed under T.C.A. § 7-52-304.

**Frequency of Payment:** Varies (in accordance with the resolution passed by the governing body – T.C.A. § 7-52-304(4)).

**Late Pay Penalty:** None.

**Exemptions:** All underground equipment and all substation transmission lines are exempt.

**Collection:** Payments are transferred from the electric fund in accordance with a resolution passed by the governing body. T.C.A. § 7-52-307.

**Use Restrictions:** Twenty-two and one-half percent of the total tax equivalent payment is distributed to the county or counties that the system serves. Likewise, other cities that the system serves receive an amount equal to the equalized property tax rate of the other cities' taxing jurisdictions, multiplied by the net plant value of the electric plant plus the book value of materials and supplies located within the other cities' boundaries, multiplied by the assessment ratio, minus reductions required by T.C.A. § 7-52-304(3) and (4).

## Payment in Lieu of Taxes: Water Utilities

**Reference Number:** MTAS-1849

**Revenue Class:** Local Taxes

**Fund:** General

**Account No.:** 31512

**Description:** A payment in lieu of tax that cannot exceed the amount of taxes payable on privately owned property of similar nature. A calculation worksheet may be found under "MTAS Resources: In-lieu-of tax calculator at: <http://www.mtas.tennessee.edu/finance-and-accounting> [1]

**Authorization:** T.C.A. § 7-34-115 (a)(9)

**Requirements or Restrictions:** Must be authorized by resolution.

**Current Rate:** Varies by municipality, based on 1) the equalized tax rate, 2) net book value of net fixed assets, and 3) book value of inventory.

**Frequency of Payment:** Established in the authorizing resolution.

**Late Pay Penalty:** Not specified.

**Exemptions:** None.

**Collection:** Payment is made by water utility to municipality pursuant to authorizing resolution.

**Use Restrictions:** None.

## Payments in Lieu of Taxes: Sewer Utilities

**Reference Number:** MTAS-1850

**Revenue Class:** Local Taxes

**Fund:** General

**Account No.:** 31513

**Description:** A payment in lieu of tax that cannot exceed the amount of taxes payable on privately owned property of similar nature. A worksheet may be found under MTAS Resources: In-lieu-of tax calculator at <http://www.mtas.tennessee.edu/finance-and-accounting> [1]

**Authorization:** T.C.A. § 7-34-115 (a)(9)

**Requirements or Restrictions:** Must be authorized by resolution.

**Current Rate:** Varies by municipality, based on 1) equalized tax rate, 2) net book value of net fixed assets, and 3) book value of inventory.

**Frequency of Payment:** Established in authorizing resolution.

**Late Pay Penalty:** Not specified.

**Exemptions:** None.

**Collection:** Payment is made by sewer utility to municipality pursuant to authorizing resolution.

**Use Restrictions:** None.

## Payments in Lieu of Taxes: Natural Gas Utilities

**Reference Number:** MTAS-1851

**Revenue Class:** Local Taxes

**Fund:** General

**Account No.:** 31514

**Description:** Revenue received as payment in lieu of tax on the gas system property and operations that represents the public utility's fair share of the cost of local government. Payments are based on the value of the gas system and gas operations. It applies only to municipalities that own and operate a gas system. A worksheet can be found under MTAS Municipal Resources: In-lieu-of tax calculator on the <http://www.mtas.tennessee.edu/finance-and-accounting> [1].

**Authorization:** T.C.A. § 7-39-401 *et seq.* (Municipal Gas System Tax Equivalent Law).

**Requirements or Restrictions:** Payments cannot be made to the municipality unless the following expenses are paid or provided for: operating expenses, debt payments, reasonable reserves, and cash working capital adequate to cover operating expenses for a reasonable number of weeks. A resolution is required that sets forth the tax equivalent provisions.

**Current Rate:** In lieu of tax payments are computed under T.C.A. § 7-39-404 (1).

**Frequency of Late Pay Penalty:** None.

**Exemptions:** Retail sales or use taxes on gas energy at the same rates applicable generally to sales or use of personal property or services are not included in the calculations. T.C.A. § 7-39-404(6).

**Collection:** Payments are transferred from the gas fund in accordance with resolution passed by the governing body. T.C.A. § 7-39-405.

**Use Restrictions:** None.

## Payments in Lieu of Taxes: Industry

**Reference Number:** MTAS-1852

**Revenue Class:** Local Taxes

**Fund:** General

**Account No.:** 31520

**Description:** Property in this category is not subject to *ad valorem* taxes as the industrial development corporation is declared to be performing a public function on the behalf of the municipality. The corporation has the authority to negotiate and accept from its' lessees payments in lieu of *ad valorem* taxes to the municipality, provided that these payments do not exceed *ad valorem* taxes otherwise due where the leased property is owned by an entity subject to taxation.

**Authorization:** T.C.A. § 7-53-305

**Requirements or Restrictions:** Cannot permit payment in-lieu-of taxes to be waived or otherwise not assessed for a period of more than 20 years from the date of agreement (plus a reasonable construction or installation period not to exceed three (3) years) or contract unless both the commissioner of economic and community development and the comptroller of the treasury have made a written determination that it is in the best interest of the state to do so. T.C.A. § 7-53-305(b)(1).

**Current Rate:** N/A

**Frequency of Payment:** Annually.

**Late Pay Penalty:** Ten percent per annum interest from the due date plus reasonable attorneys' fees. Other late penalties apply, but municipalities are not recipients of those penalties.

**Exemptions:** Minimum payments are not applicable to an eligible headquarters facility. Other exceptions apply to Memphis.

**Collection:** Corporation lessees submit on or before October 1 an annual report to the state board of equalization. A copy must be sent to the assessor on or before October 15.

**Use Restrictions:** None.

## Local Option Sales Tax: Countywide

**Reference Number:** MTAS-1853

**Revenue Class:** Local Taxes

**Fund:** General

**Account No.:** 31610

**Description:** Receipts from countywide local option sales tax that is levied within the municipality.

**Authorization:** T.C.A. § 67-6-701 *et seq.* (1963 Local Option Revenue Act)

**Requirements or Restrictions:** Tax can be increased only by ordinance after voters approve by referendum. T.C.A. § 67-6-706. Tax is applicable only to the first \$1,600 on the sale or use of any single article of personal property. T.C.A. § 67-6-702. "Single article" applies only to motor vehicles, aircraft, watercraft, modular homes, manufactured homes, or mobile homes. After July 1, 2017, the tax levied on the sale, purchase, use, consumption of electricity, piped natural or artificial gasses, or other heating fuels delivered by the seller will be 0.5 percent. Also after July 1, 2019, there will be no local option sales tax exemption for cable or wireless cable television services.

**Current Rate:** Varies according to county and municipality; maximum rate is 2.75 percent.

**Frequency of Payment:** Monthly.

**Late Pay Penalty:** N/A

**Exemptions:** Same as statewide sales tax, plus electricity and fuels through June 30, 2019 (see T.C.A. § 67-6-704) and the above listed restrictions. Until June 30, 2019, cable or wireless cable television services are exempted up to \$27.50 per month. T.C.A. § 67-6-714.

**Collection:** State collects (and keeps 1.125 percent for administrative expenses), forwards the remainder to the county, and the county distributes 50 percent for school purposes and 50 percent to the jurisdiction where collected or as contracted between jurisdictions (less a 1% administrative fee retained by the county trustee). Local sales tax revenues that the Department of Revenue cannot identify to a particular *situs* are distributed 50 percent to municipalities based on population and 50 percent to counties based on population. For out-of-state internet sales collections that are voluntarily remitted (usually dealers with more than \$100,000 in annual revenue), taxes that can be attributed to specific SITUS codes are distributed to those local governments. Taxes that are not attributable to specific SITUS codes are distributed based on a Department of Revenue formula that weights the taxes based on known SITUS-specific collections.

**Use Restrictions:** None for the 50 percent returned to municipality, unless contracted differently.

## Wholesale Beer Tax

**Reference Number:** MTAS-1855

**Revenue Class:** Local Taxes

**Fund:** General

**Account No.:** 31710

**Description:** State authorized tax on wholesale sales of beer. Wholesale beer deliveries to retail outlets in a city or county are taxed at flat rate of \$35.60 per barrel sold. The tax is paid by each beer wholesaler directly to the city or county, and monthly reports on such sales are made to the state Department of Revenue and to each city and county. Of this tax, a wholesaler must remit \$.17 to the state for administration and retain \$.92 to defray the cost of collecting and remitting the tax. A city should check that tax payments are being received from beer wholesalers serving the area based on deliveries to all retail beer outlets in the city. If there is doubt about administration of the tax, an investigation by the Department of Revenue may be requested.

**Authorization:** T.C.A. § 57-6-101 *et seq.* (Wholesale Beer Tax Act)

**Requirements or Restrictions:** N/A

**Current Rate:** \$35.60 per barrel sold (31 gallons).

**Frequency of Payment:** Monthly by the 20th.

**Late Pay Penalty:** City may institute legal action for collection. T.C.A. § 57-6-107(b).

**Exemptions:** Wholesalers may deduct this amount from their gross receipts tax liability. T.C.A. § 67-4-711 (b)(5). Wholesale sales are tax-free if sold to U.S. armed forces. T.C.A. § 57-6-111.

**Collection:** Beer wholesalers remit monthly, directly to the municipality on state-prescribed forms.

**Use Restrictions:** None.

## Wholesale Liquor Tax

**Reference Number:** MTAS-1856

**Revenue Class:** Local Taxes

**Fund:** General

**Account No.:** 31720

**Description:** State authorized tax on wholesale sales of liquor. City must pass an ordinance to impose an inspection fee upon licensed retailers of alcoholic beverages or upon retail food store wine licensees located within such municipality.

**Authorization:** T.C.A. § 57-3-501 *et seq.*

**Requirements or Restrictions:** As delineated in T.C.A.

**Current Rate:** Depending upon the size of municipality's county, the municipality levies by ordinance a 5 percent or 8 percent inspection fee that is collected by the wholesalers from the retailer during distribution. The wholesalers then retain 5 percent of the fee for performing the collection. The fee cannot exceed 8 percent of the wholesale price of alcoholic beverages sold in municipalities located in counties having a population of less than 60,000; and cannot exceed 5 percent for municipalities located in counties having a population more than 60,000.

**Frequency of Payment:** Monthly by the 20<sup>th</sup>.

**Late Pay Penalty:** A penalty of 10 percent is assessed after the 20th of each month. T.C.A. § 57-3-503(b).

**Exemptions:** None.

**Collection:** The inspection fee is collected by the wholesaler from the retailer and remitted by wholesalers to the municipality monthly on municipal-prescribed form.

**Use Restrictions:** None.

## Mixed Drink Taxes

**Reference Number:** MTAS-1857

**Revenue Class:** Local Taxes

**Fund:** General

**Account No.:** 31730

**Description:** Tax on the sale of alcoholic beverages for consumption on the premises.

**Authorization:** T.C.A. § 57-4-301(c); T.C.A. § 57-4-306

**Requirements or Restrictions:** N/A

**Current Rate:** Fifteen percent of the sales price of all alcoholic beverages sold for consumption on the premises.

**Frequency of Payment:** Monthly.

**Late Pay Penalty:** N/A

**Exemptions:** Not applicable to charitable, nonprofit, or political organizations selling alcohol under a special occasion license. T.C.A. § 57-4-301(e). Also exempted from this tax are commercial airlines (but not airline travel clubs), paddlewheel steamboat companies, and passenger trains. T.C.A. § 57-4-301(d).

**Collection:** State retains the first 50 percent for its general fund and it is earmarked for education; the remaining 50 percent is distributed to the municipality, if collected in an incorporated municipality, or to the county if collected in an unincorporated area. Recent legislation found at T.C.A. § 57-4-306 (b) provides detailed instructions on further distribution and should be reviewed carefully. Determining factors include whether or not municipalities have their own school system (LEA) or special school district (SSA). Also included are interim requirements through June 30, 2019, as well as compliance, notice and exemption provisions.

**Use Restrictions:** For premier tourist resorts, the municipality's percentage must be spent on schools in the municipality. T.C.A. § 57-4-306 (d).

## Minimum Business Tax

**Reference Number:** MTAS-1858

**Revenue Class:** Local Taxes

**Fund:** General

**Account No.:** 31810

**Description:** The business tax is levied in addition to all other privilege taxes and is intended by the legislature to be in-lieu-of any other *ad valorem* tax on "inventories of merchandise held for sale or exchange." T.C.A. § 67-4-701 (b).

**Authorization:** T.C.A. § 67-4-701 *et seq.* (Business Tax Act)

**Requirements or Restrictions:** Businesses are required to file tax returns with the state on state subscribed forms.

**Current Rate:** A minimum of \$22 annually is required for each taxpayer in classifications 1-4 and 5B (\$450 annually for classification 5A) for each fixed place, location or outlet from which a business is operated. The state has established different classifications of businesses and gross receipt rates assessed to the different classifications. The classifications and rates are listed in detail in T.C.A. § 67-4-708 and T.C.A. § 67-4-709. The rates include a wide range of percentages. Some examples are:

- 1/10 of 1 percent of all retail sales of the business for businesses classified under T.C.A. § 67-4-708 (1);
- 1/40 of 1 percent of all wholesale sales of the business by people classified under T.C.A. § 67-4-708 (1)(A);
- 3/8 of 1 percent of all wholesale sales of the business by people classified under T.C.A. § 67-4-708 (1)(B) and (1)(C), T.C.A. § 67-4-708 (2) and T.C.A. § 67-4-708 (3);

- 1/20 of 1 percent of all retail sales of the business by people classified under T.C.A. § 67-4-708 (1)(D);
- Transient vendors must pay a minimum tax of \$50 for each 14-day period of business in a municipality, but they are not subject to the percent of the gross receipts portion of the tax. T.C.A. § 67-4-710 (a)(2).

The Tennessee Department of Revenue Business Tax Guide can be found at : <https://www.tn.gov/content/dam/tn/revenue/documents/taxguides/bustaxguide.pdf> [2]

**Frequency of Payment:** Monthly. Due dates for different business classifications are listed under T.C.A. § 67-4-715.

**Late Pay Penalty:** N/A

**Exemptions:** Exemptions are listed under T.C.A. § 67-4-712. Businesses may deduct certain items from their gross receipts liability (listed under T.C.A. § 67-4-711). Certain credits are also allowed as listed in T.C.A. § 67-4-713.

**Collection:** State forwards municipality's share monthly.

**Use Restrictions:** None.

## Amusement Tax

**Reference Number:** MTAS-1859

**Revenue Class:** Local Taxes

**Fund:** General

**Account No.:** 31860

**Description:** A tax levied at the same rate for tangible personal property on the sales price of each sale at retail of dues or fees for membership to recreational clubs, admission ticket sales, entrance fees, and charges made for the privilege of using tangible personal property for amusement, sports, entertainment or recreational activities.

**Authorization:** T.C.A. § 67-6-202; T.C.A. § 67-6-212; T.C.A. § 67-6-330

**Requirements or Restrictions:** Free or complimentary tickets or admissions are to be computed at equivalent values and included as sales, unless they are provided to people attending a public school, college, or university.

**Current Rate:** Municipalities receive 99 percent of 4.603 percent of six percent of the statewide seven percent sales tax. This allocation is different for premiere type tourist resorts and Tennessee River resort districts. All increased revenues from the 2002 state sales tax rate increase from six percent to seven percent go to the state general fund (Public Acts, 2002 Chapter 856, Section 4).

**Frequency of Payment:** Monthly.

**Late Pay Penalty:** N/A

**Exemptions:** There are several other exemptions listed in T.C.A. § 67-6-330 that include admissions to K-12 school activities, fairs, dues to 501(c) organizations, and admissions to various nonprofit organizations' events.

**Collection:** The state collects the tax and distributes to municipalities.

**Use Restrictions:** None.

## Natural Gas Franchise

**Reference Number:** MTAS-1860

**Revenue Class:** Local Taxes

**Fund:** General

**Account No.:** 31911

**Description:** Municipalities can impose a franchise fee and other conditions upon the operation of a gas company within their corporate limits.

**Authorization:** T.C.A. § 6-54-109; T.C.A. § 65-4-107

**Requirements or Restrictions:** The franchise agreement is subject to the approval of the Tennessee Regulatory Authority. T.C.A. § 65-4-107. The franchise agreement is passed by municipal ordinance.

**Current Rate:** Varies; there is no maximum franchise fee.

**Frequency of Payment:** Annually.

**Late Pay Penalty:** N/A

**Exemptions:** N/A

**Collection:** N/A

**Use Restrictions:** N/A

## Room Occupancy Tax

**Reference Number:** MTAS-1862

**Revenue Class:** Local Taxes

**Fund:** General

**Account No.:** 31920

**Description:** Occupancy tax on hotel or motel room rentals, imposed by private act. Rates vary from 1.25 percent to 5 percent.

**Authorization:** T.C.A. § 67-4-1401 *et seq.*; T.C.A. § 6-55-102; and various private acts

**Requirements or Restrictions:** Tax must be approved by ordinance by two-thirds vote of the governing body at two consecutive regularly scheduled meetings; or be approved by referendum, and tax cannot exceed five percent. T.C.A. § 67-4-1402. City cannot assess the tax if the county has already levied an occupancy tax. T.C.A. § 67-4-1425 (a)(2). Additional limitations are found in T.C.A. § 67-4-1425.

**Current Rate:** Cannot exceed 5 percent. Hotel operator is allowed to retain 2 percent of the amount of the tax due for collecting the tax. T.C.A. § 67-4-1405 (b).

**Frequency of Payment:** Monthly by the 20<sup>th</sup>.

**Late Pay Penalty:** Interest is charged at 12 percent per annum plus a penalty of 1 percent for each month taxes are delinquent. T.C.A. § 67-4-1408.

**Exemptions:** N/A

**Collection:** Monthly. The municipality has the authority to collect delinquent taxes by any means available by law including issuing distress warrants and the seizure of assets. T.C.A. § 67-4-1408(d).

**Use Restrictions:** None unless the governing body specifies such in the authorizing ordinance. T.C.A. § 67-4-1403.

## Special Assessments

**Reference Number:** MTAS-1863

**Revenue Class:** Local Taxes

**Fund:** General

**Account No.:** 31930

**Description:** Municipalities have the power to design and execute construction and improvement or reconstruction and re-improvement of any street, avenue, alley, highway or public place including improvements or alterations for flood control, water management, soil erosion, and disaster relief and assess not less than two-thirds of the cost or expense of the work against the property abutting or adjacent to the street, avenue, alley, or any other public place that is improved. If 75 percent of the

property owners whose lots about the proposed improvement petition for the work to be done, 100 percent of the cost of the project can be assessed to the property owners. T.C.A. § 7-32-118.

**Authorization:** T.C.A. § 7-32-101 *et seq.*

**Requirements or Restrictions:** The municipality needs to adopt an ordinance and hold a public hearing prior to making the improvements. The ordinance should describe in detail the nature of the intended work. After apportionments are made, the municipality must hold another hearing on objections to the assessments. T.C.A. § 7-32-121. Appeals to the assessment may be made to the circuit court. T.C.A. § 7-32-126. If any objections to an assessment to pay costs are made, the confirmation of the assessment shall require the unanimous approval of the members of the governing body present at the meeting at which the objection is considered. T.C.A. § 7-32-123.

**Current Rate:** Depends upon the cost of the project and the number and sizes of properties involved.

**Frequency of Payment:** Payments are due 30 days after the assessment is made final. At the request of the property owner, the assessment may be paid in five annual installments, and shall bear interest at the rate of 6 percent per annum, interest payable semiannually. T.C.A. § 7-32-133. An assessment levied in connection with a public facility may be paid back over thirty years. T.C.A. § 7-32-133.

**Late Pay Penalty:** If any property owner makes default in the payment schedule, all of the installments with interest and an additional sum equal to one-half the annual interest, shall become immediately due and payable T.C.A. § 7-32-137. After 60 days delinquency, the city recorder turns the collection over to the city attorney who may then attach a lien on the property. T.C.A. § 7-32-138.

**Exemptions:** The total assessment made against any lot or parcel of land shall not exceed one-half of the cash value (fair sale price of the lot and improvements on the lot if sold at a voluntary sale) of the lot and improvements. T.C.A. § 7-32-116.

**Collection:** Collected by the municipal tax collector following the assessment. The assessment is a lien on the property. T.C.A. § 7-32-131.

**Use Restrictions:** N/A

## Automobile Registration

**Reference Number:** MTAS-1864

**Revenue Class:** Licenses and Permits

**Fund:** General

**Account No.:** 32110

**Description:** Municipalities may require by ordinance an automobile regulatory fee or inspection fee for all vehicles owned or operated by residents who live within its corporate boundaries.

**Authorization:** T.C.A. § 6-55-501 *et seq.*; T.C.A. § 7-51-701 *et seq.*

**Requirements or Restrictions:** Non-residents cannot be required to pay such fees (T.C.A. § 6-55-502(c) and T.C.A. § 7-51-702).

**Current Rate:** Varies.

**Frequency of Payment:** Usually annually.

**Late Pay Penalty:** N/A

**Exemptions:** Varies.

**Collection:** Varies. The municipality may enter into an agreement with the county authorizing the county clerk to collect the motor vehicle regulatory fee at the same time the clerk sells a state license.

**Use Restrictions:** Some municipalities dedicate revenue to streets and highways, but this is not required by T.C.A.

## Taxicab Licenses

**Reference Number:** MTAS-1865

**Revenue Class:** Licenses and Permits

**Fund:** General

**Account No.:** 32130

**Description:** Under the Tennessee Passenger Transportation Services Act, municipalities have the authority to license, control and regulate by ordinance or resolution passenger-for-hire vehicles providing transportation services within its jurisdiction. Municipalities in counties with populations greater than 500,000 also have the authority to regulate entry into the business of providing passenger transportation services.

**Authorization:** T.C.A. § 7-51-1001 *et seq.* (Tennessee Passenger Transportation Services Act)

**Requirements or Restrictions:** Allowable regulations include:

- Entry into the transportation services business through licensing;
- Rates charged;
- Safety and insurance requirements;
- Establishment of stands;
- Limited or exclusive access to airports or other facilities within the municipality;
- Regulations concerning the drivers;
- Routes and stops of fixed routes;
- Any other regulation that ensures safe and reliable passenger transportation service.

**Current Rate:** Variable.

**Frequency of Payment:** Not specified by T.C.A.

**Late Pay Penalty:** Not specified by T.C.A.

**Exemptions:** Does not apply to cities in counties with a population of between 287,700 and 287,800 (T.C.A. § 7-51-1006) and does not supercede authority of the department of safety (T.C.A. § 7-51-1005).

**Collection:** Not specified by T.C.A.

**Use Restrictions:** N/A

## Beer Licenses

**Reference Number:** MTAS-1867

**Revenue Class:** Licenses and Permits

**Fund:** General

**Account No.:** 32210

**Description:** Revenue received from beer permits sold to individuals who sell beer at retail establishments.

**Authorization:** T.C.A. § 57-5-101 *et seq.*; T.C.A. § 57-5-108

**Requirements or Restrictions:** Business must operate within and comply with municipal and/or county ordinances.

**Current Rate:** Applicants pay \$250 and each permit holder pays \$100 per year for renewal of the privilege tax. In addition to the first time application fee, new applicants are required to pay the privilege tax on a prorated basis for each month or portion thereof remaining until the next tax payment date. T.C.A. § 57-5-104

**Frequency of Payment:** \$250 fee is imposed upon application and the annual renewal fee of \$100 is due on January 1.

**Late Pay Penalty:** Permit may be revoked for nonpayment. If a permit holder does not pay the tax by January 31 or within 30 days after written notice of the tax was mailed, whichever is later, then the city shall notify the permit holder by certified mail that the tax payment is past due. If a permit holder does not pay the tax within 10 days after receiving notice of its delinquency by certified mail, then the city

may suspend or revoke the permit or impose a civil penalty pursuant to T.C.A. § 57-5-108. T.C.A. § 57-5-104 (b)(3).

**Exemptions:** None

**Collection:** By the municipality from applicants and permit holders.

**Use Restrictions:** None

## Liquor Licenses

**Reference Number:** MTAS-1868

**Revenue Class:** Licenses and Permits

**Fund:** General

**Account No.:** 32220

**Description:** This is a privilege tax on those who engage in the business of selling retail alcoholic beverages for consumption on the premises. The tax varies by the type of establishment that sells the liquor by the drink.

**Authorization:** T.C.A. § 57-4-301 *et seq.*

**Requirements or Restrictions:** These same privilege taxes are paid twice by the businesses; once to the county and once to the municipality. Privilege tax increases imposed after fiscal year 2004 do not go to cities, but rather to the Alcoholic Beverage Commissioner to administer the law.

**Current Rate:** Municipalities are allowed to levy a privilege tax on the sale of alcoholic beverages for consumption on the premises. The taxes, paid annually, are:

- Private club — \$500
- Convention center — \$1,000
- Premiere type tourist resort — \$2,000
- Historical performing arts center — \$150
- Urban park center — \$150
- Commercial passenger boat company — \$1,250
- Historic mansion house site — \$150
- Historic interpretive center — \$150
- Community theater — \$150
- Zoological institution — \$150
- Museum — \$150
- Establishment in commercial airport terminal — \$1,500
- Commercial airline travel club — \$1,000
- Public aquarium — \$150
- Motor speedway — \$2,000
- Sports Facility — \$2,000
- Theater — \$150
- Restaurant, according to seating capacity, on licensed premises:
  - 40 – 74 seats — \$650
  - 75 – 125 seats — \$750
  - 126 – 175 seats — \$925
  - 176 – 225 seats — \$975
  - 226 – 275 seats — \$1,100
  - 276 or more seats — \$1,200

- Wine-only restaurant, according to seating capacity on licensed premises:
  - 75 – 125 seats — \$270
  - 126 – 175 seats — \$300
  - 176 – 225 seats — \$310
  - 226 – 275 seats — \$330
  - 276 or more seats — \$350
- Caterers — \$625
- Hotels, according to room capacity, on licenses premises:
  - 0 – 99 rooms — \$1,000
  - 100 – 399 rooms — \$1,250
  - 300 rooms and over — \$1,500
  -
- **Frequency of Payment:** Annually.

**Late Pay Penalty:** N/A

**Exemptions:** No tax authorized or imposed by this section shall be levied or assessed from any charitable, nonprofit or political organization selling alcoholic beverages at retail pursuant to a special occasion license. T.C.A. § 57-4-301 (e).

**Collection:** The state notifies the municipality when renewal is due, then the municipality sends a letter to the establishment, which sends the revenue to the municipality.

**Use Restrictions:** None.

## Building Permits

**Reference Number:** MTAS-1869

**Revenue Class:** Licenses and Permits

**Fund:** General

**Account No.:** 32610

**Description:** Revenue received from the sale of building permits and builder and contractor licenses. Municipalities are authorized and empowered to enact laws or ordinances to safeguard and protect the home owner or prospective home owner, commercial property owner or assembly building property owner by requiring the licensing of the residential, commercial or assembly builders and residential, commercial and assembly maintenance and alteration contractors.

**Authorization:** T.C.A. § 6-54-501 *et seq.*; T.C.A. § 7-62-101 *et seq.*; T.C.A. § 7-62-201 *et seq.*

**Requirements or Restrictions:** City cannot issue more than 10 active building permits at one time to an unlicensed contractor. T.C.A. § 7-62-202 (b). Unlicensed contractors are required to post a cash bond with the city for a period of at least two years. T.C.A. § 7-62-203.

**Current Rate:** Varies.

**Frequency of Payment:** Upon issuance of permit.

**Late Pay Penalty:** N/A

**Exemptions:** N/A

**Collection:** N/A

**Use Restrictions:** None.

## Electrical Permits

**Reference Number:**

MTAS-1870

**Revenue Class:** Licenses and Permits

**Fund:** General

**Account No.:** 32620

**Description:** Revenue received from permits for electrical work.

**Authorization:** T.C.A. § 6-54-104; T.C.A. § 6-54-501 *et seq.*

**Requirements or Restrictions:** Permits issued only to contractors or appliance electricians licensed according to municipal ordinance or to a homeowner doing personal work within his/her residence.

**Current Rate:** Varies.

**Frequency of Payment:** Upon issuance of permit.

**Late Pay Penalty:** N/A

**Exemptions:** N/A

**Collection:** N/A

**Use Restrictions:** None.

## Plumbing Permits

**Reference Number:** MTAS-1871

**Revenue Class:** Licenses and Permits

**Fund:** General

**Account No.:** 32630

**Description:** Revenue received from permits for plumbing work.

**Authorization:** T.C.A. § 6-54-501 *et seq.*; T.C.A. § 62-6-401 *et seq.*

**Requirements or Restrictions:** Permits issued only to licensed plumbing contractors or to a homeowner doing personal work in his or her residence.

**Frequency of Payment:** Upon issuance of permit.

**Late Pay Penalty:** N/A

**Exemptions:** N/A

**Collection:** N/A

**Use Restrictions:** None.

## Zoning Permits

**Reference Number:** MTAS-1872

**Revenue Class:** Licenses and Permits

**Fund:** General

**Account No.:** 32660

**Description:** Fees for zoning permits and, in some municipalities, subdivision plats and other plans.

**Authorization:** Various general law charters T.C.A. § 6-2-201; T.C.A. § 6-19-101 and 102; T.C.A. § 6-33-101; T.C.A. § 13-7-201 *et seq.*

**Requirements or Restrictions:** Changes to the zoning ordinance must be made by an amending ordinance and include a public hearing.

**Current Rate:** Varies.

**Frequency of Payment:** Upon issuance of permit.

**Late Pay Penalty:** N/A

**Exemptions:** N/A

**Collection:** N/A

**Use Restrictions:** None.

## Federal Community Development Grants

**Reference Number:** MTAS-1873

**Revenue Class:** Intergovernmental Revenue

**Fund:** General

**Account No.:** 33110

**Description:** Authorized by the Housing and Community Development Act of 1974 (42 USC 5301) replacing several community development categorical grant programs, Community Development Block Grants (CDBG) provide eligible metropolitan cities and urban counties (called "entitlement communities") with annual direct grants that they can use to "revitalize neighborhoods, expand affordable housing and economic opportunities, and/or improve community facilities and services, principally to benefit low- and moderate-income persons."

**Authorization:** T.C.A. § 6-54-124 and 42 USC 5301 *et seq.*

**Requirements or Restrictions:** T.C.A. § 6-54-124 requires municipalities that receive community development block grants and municipalities or industrial development corporations that are a party to an in-lieu-of property tax agreement to make a report addressing the expenditures of such funds. In addition, the municipality must place a copy of such report in the main branch of the municipality's public library or place the report on the Internet.

**Current Rate:** N/A

**Frequency of Payment:** N/A

**Late Pay Penalty:** N/A

**Exemptions:** N/A

**Collection:** N/A

**Use Restrictions:** N/A

## Housing Authority in-Lieu-of-Tax

**Reference Number:** MTAS-1874

**Revenue Class:** Intergovernmental Revenue

**Fund:** General

**Account No.:** 33310

**Description:** Payments in lieu of taxes from local housing authority, based on gross rent receipts. Housing authorities "shall agree" to pay in-lieu-of taxes or special assessments not to exceed the cost of services, improvements, or facilities provided. A similar requirement provides that nonprofit housing corporations providing low-cost housing for elderly or handicapped people must agree to make in-lieu-of-tax payments for any project exceeding 12 units occupied after January 1, 1990. Bonds and notes of a housing authority are issued for a public purpose and together with the interest shall be exempt from taxation.

**Authorization:** T.C.A. § 67-5-206; T.C.A. § 67-5-207

**Requirements or Restrictions:** Subject to federal housing law and regulations. There also are several qualifications for nonprofit housing corporations that must be met to be eligible for the payment in-lieu-of taxes listed under T.C.A. § 67-5-207.

**Current Rate:** Varies.

**Frequency of Payment:** Varies.

**Late Pay Penalty:** N/A

**Exemptions:** N/A

**Collection:** Varies.

**Use Restrictions:** None.

## State-Shared Sales Tax

**Reference Number:** MTAS-1875

**Revenue Class:** Intergovernmental Revenue

**Fund:** General

**Account No.:** 33510

**Description:** The Retailers' Sales Tax is applied to the sale, use, consumption, distribution, lease, or rental of tangible personal property and selected services, of which cities receive a population-based share of a portion of the total statewide collections. Additional money is available to cities that have sports authorities that have secured professional major league baseball, football, basketball or hockey franchises. Premier type tourist resorts that meet specified requirements (*i.e.*, golf courses, ski slopes, theme parks, etc.) are entitled to additional distributions per T.C.A. § 67-6-103 (a)(3)(B).

**Authorization:** T.C.A. § 67-6-101 *et seq.*

**Requirements or Restrictions:** Municipalities may conduct only four special censuses after the decennial census to increase their population-based share. T.C.A. § 67-6-103(a)(3)(C) and (D). Special options exist for "premiere type tourist resort" cities, cities that have a major league sports team, and others as noted in T.C.A.

**Current Rate:** 99 percent of 4.6030 percent of 6 percent of the statewide 7 percent sales tax (which equates to 4.55697%). The 1 percent (which equates to 0.04603%) is retained by the state and sent to the University of Tennessee to partially fund the Municipal Technical Advisory Service (MTAS). For example, if the state collected \$1 million in sales tax, MTAS would receive \$418.46, and cities would split \$45,569.70 based on population.

**Frequency of Payment:** Monthly

**Late Pay Penalty:** N/A

**Exemptions:** Revenues from fuel sales used for aviation, railways or water carriers are placed in the transportation equity fund.

**Collection:** Revenue is distributed monthly by the state.

**Use Restrictions:** None

## State-Shared Income Tax (Hall Income Tax)

**Reference Number:** MTAS-1876

**Revenue Class:** Intergovernmental Revenue

**Fund:** General

**Account No.:** 33520

**Description:** State taxes levied on the earnings of stock dividends and interest on bonds earned by individuals, partnerships, associations, trusts and corporations. The municipality's share depends upon the residence of taxpayers; *i.e.*, if he/she resides within the corporate limits of the municipality.

**Authorization:** T.C.A. § 67-2-101 *et seq.*

**Requirements or Restrictions:** N/A

**Current Rate:** The "IMPROVE Act" which passed in April of 2017 included a phaseout over the next five years, as follows:

- 4% for tax years beginning January 1, 2017
- 3% for tax years beginning January 1, 2018

- 2% for tax years beginning January 1, 2019
- 1% for tax years beginning January 1, 2020
- Repeal beginning January 1, 2021

**Frequency of Payment:** Annually on or on or before the fifteenth day of the fourth month commencing after the end of the taxpayer's tax year. Armed forces personnel have 180 days in which to file in certain circumstances.

**Late Pay Penalty:** N/A

**Exemptions:** Exemptions are listed in T.C.A. § 67-2-104. The most common exemptions include the first \$1,250 of an individual's return and the first \$2,500 of income for a joint return; people 65 or older whose income is not more than \$37,000 (\$68,000/couple); blind people; pension trusts; profit-sharing trusts; and all income derived from government bonds and securities.

**Collection:** State forwards municipalities' share annually.

**Use Restrictions:** None.

## State-Shared Beer Tax

**Reference Number:** MTAS-1877

**Revenue Class:** Intergovernmental Revenue

**Fund:** General

**Account No.:** 33530

**Description:** State tax on the manufacture, sale, and transportation of beer, of which the municipalities receive a share of 10.05 percent of the total taxes, distributed based on population.

**Authorization:** T.C.A. § 57-5-201 *et seq.*

**Requirements or Restrictions:** None.

**Current Rate:** \$4.29 per 31-gallon barrel; returns are based upon population. Revenue generated from the increase from \$3.40 to \$3.90 is allocated to the state highway fund

**Frequency of Payment:** Semi-annually.

**Late Pay Penalty:** 10 percent interest and penalty is collected by the state. T.C.A. § 57-5-204.

**Exemptions:** Beer and ale sold for consumption at U.S. military installations.

**Collection:** State forwards municipality's share semi-annually.

**Use Restrictions:** None

## State Alcoholic Beverage Tax

**Reference Number:** MTAS-1878

**Revenue Class:** Intergovernmental Revenue

**Fund:** General

**Account No.:** 33540

**Description:** Any seized intoxicating liquors or vehicles associated with the production or transport of illegal intoxicating liquors are turned over to the Alcoholic Beverage Commission for public sale as contraband by the Commissioner of General Services. A portion of the revenue from sales of these contraband items goes to the municipality where the officer who made the seizure works.

**Authorization:** T.C.A. § 57-9-115; T.C.A. § 59-9-201

**Requirements or Restrictions:** None

**Current Rate:** Ninety percent of proceeds from the sale of seized liquor and 50 percent of proceeds from the sale of seized vehicles, aircraft and boats.

**Frequency of Payment:** Periodic. Depends on the frequency of seizures by cities and sales by the state.

**Late Pay Penalty:** N/A

**Exemptions:** N/A

**Collection:** The Commissioner of General Services collects the money at the time of the sale then forwards it to municipalities.

**Use Restrictions:** N/A

## State Gasoline and Motor Fuel Tax

**Reference Number:** MTAS-1879

**Revenue Class:** Intergovernmental Revenue

**Fund:** State Street Aid

**Account No.:** 33551

**Description:** Local share of state gasoline and other motor fuel taxes comprising the Gasoline Tax, the Diesel Tax, the Liquefied Gas Tax on vehicles, the Compressed Natural Gas Tax, and the Prepaid User Diesel Tax. Distribution to municipalities is based upon population.

**Authorization:** T.C.A. § 67-3-201; T.C.A. § 67-3-202; T.C.A. § 67-3-901; T.C.A. § 67-3-905; T.C.A. § 67-3-908; T.C.A. § 67-3-1102; T.C.A. § 67-3-1113; T.C.A. § 67-3-1309.

**Requirements or Restrictions:** Special census counts are limited to four in addition to the decennial census.

### Current Rate:

- Gasoline Tax – Of the 25 cent tax per gallon (FY 2019), municipalities receive 99 percent (one percent is retained by the state for administration) of 14.38 percent of the first 11 cents (minus 0.1074 percent designated for boating safety); 33.33 percent of an additional two cents from increases in 1985 and 1986 (minus 0.1074 percent designated for boating safety); and 33.33 percent of an additional one cent increase in 1989. Public Chapter 181, known as the "IM-PROVE Act" was passed in April of 2017. It adds 1 cent for fiscal year 2017-18, 1 cent for fiscal year 2018-19 and 1 cent for fiscal year 2019-2020. Beginning with fiscal year 2020-21 the tax will be 26 cents
- Diesel Tax – The IMPROVE Act increases the tax to 21 cents in fiscal year 2017-18; an additional 3 cents in 2018-19, and an additional 3 cents in fiscal year 2019-20. Beginning with fiscal year 2020-21 the tax will be 27 cents. Of the original 17 cents tax per gallon, municipalities receive 12.38 percent of 12 cents.
- Liquefied Gas – Of the 14 cents tax per gallon, municipalities receive 14.14 percent of the first 11 cents and 99 percent of 33.33 percent of an additional one-cent increase in 1986.
- Liquefied Gas Tax on Vehicles – Municipalities receive 14.14 percent of a flat rate that varies depending on the classification of the vehicle (by gross vehicle weight). The rate varies from \$70 to \$114.
- Compressed Natural Gas – Of the 13 cents tax per gallon, municipalities receive 12.38 percent.
- Prepaid User Diesel Tax – Municipalities receive 12.38 percent of a flat rate (\$56 – \$159) for farmers whose use of diesel fuel is mostly for agricultural purposes yet who own diesel powered passenger cars or trucks.

**Frequency of Payment:** Monthly.

**Late Pay Penalty:** N/A

**Exemptions:** As noted in T.C.A.

**Collection:** Revenue is distributed monthly by the state.

**Use Restrictions:** Outlined in T.C.A. § 54-4-204. Funds can be spent on street improvements; principal and interest payments for street improvement project loans; the costs of acquiring rights-of-way for

approaches to bridges and tunnels; the city's share of grade eliminations; one-third of the total costs of rights-of-way for state or federal highways; paying another municipality, county or TDOT for doing road improvements; and up to 22.22 percent can be spent on funding mass transit.

## State Streets and Transportation

**Reference Number:** MTAS-1880

**Revenue Class:** Intergovernmental Revenue

**Fund:** General

**Account No.:** 33552

**Description:** This represents what is referred to as the Special Privilege Tax or the Petroleum Special Products Tax/Gas Inspection Fee and the Export Tax. The Special Privilege Tax establishes a local government fund created by a tax of one cent per gallon on all petroleum products. The export tax is a tax of 1/20<sup>th</sup> of one cent per gallon of petroleum product that is stored in Tennessee or stored in Tennessee and then exported. If the special privilege tax has already been paid, then 19/20<sup>th</sup> of the Special Privilege Tax can be credited on the Export Tax return. The local share is distributed to municipalities based on population.

**Authorization:** T.C.A. § 67-3-203; T.C.A. § 67-3-205; T.C.A. § 67-3-906

**Requirements or Restrictions:** As noted in T.C.A.

**Current Rate:** The state distributes \$619,833 per month to cities on a population basis. Before the money is distributed to cities, the state retains \$10,000 per month and allocates it to **The University of Tennessee Center for Government Training.**

**Frequency of Payment:** Monthly.

**Late Pay Penalty:** N/A

**Exemptions:** As noted in T.C.A. § 67-3-401 *et seq.* Some of the exemptions include government agencies, products used for agricultural purposes, exported products, kerosene, and aviation fuels.

**Collection:** Revenue is distributed monthly by the state.

**Use Restrictions:** Although this money is general fund revenue, it is limited in the same manner as the state gasoline and motor fuel tax (to fund city street projects).

## Gross Receipts: TVA

**Reference Number:** MTAS-1881

**Revenue Class:** Intergovernmental Revenue

**Fund:** General

**Account No.:** 33591

**Description:** TVA pays five percent of gross power sales proceeds to the state in lieu of taxes. 48.5 percent of the increase in TVA payments made to the State of Tennessee above the amount received in the base year (1977-1978) is distributed to county and municipal governments.

**Authorization:** T.C.A. § 67-9-101 *et seq.* and 16 USC 831i

**Requirements or Restrictions:** Before making the 30 percent of the 48.5 percent distribution to cities and counties, the state deducts \$4,462 monthly and appropriates it to the Tennessee Advisory Commission on Intergovernmental Relations (TACIR).

**Current Rate:** Thirty percent of 48.5 percent (minus \$4,462) collected above the base rate set in 1978 to cities based upon population.

**Frequency of Payment:** Quarterly.

**Late Pay Penalty:** N/A

**Exemptions:** N/A

**Collection:** State remits municipality's share quarterly.

**Use Restrictions:** None

## Special Impact Area Funds: TVA

**Reference Number:** MTAS-1882

**Revenue Class:** Intergovernmental Revenue

**Fund:** General

**Account No.:** 33592

**Description:** Three percent of the increase in gross power sales paid by TVA as payments in-lieu-of property taxes since June 30, 1978, is paid to municipalities where TVA is performing construction activity on facilities to produce electric power.

**Authorization:** T.C.A. § 67-9-101 (a)(3); T.C.A. § 67-9-102(b)

**Requirements or Restrictions:** TVA designates the construction activity areas. Payments are made during the time of construction and for one year after the construction activity is completed. For the next three fiscal years, payments are made in decreasing amounts based on the last year of the entitlement. The first year yields 75 percent of the payment based on the last year of the entitlement, the second year yields 50 percent, and the third year yields 25 percent. T.C.A. § 67-9-102 (b)(2).

This impact allocation for one county and its cities cannot exceed 10 percent of funds received under the normal distribution of the TVA gross receipts tax. T.C.A. § 67-9-102 (b)(1).

**Current Rate:** Three percent of the increase in gross receipts taxes from the fiscal year ended June 30, 1978 is distributed to TVA-impacted cities and counties.

**Frequency of Payment:** Annually

**Late Pay Penalty:** N/A

**Exemptions:** If in any fiscal year funds remain or there are no areas impacted by TVA construction activity, then no more than 30 percent of the impact funds are allocated to The University of Tennessee for the County Technical Assistance Service (CTAS). If there are still funds remaining, then no more than 20 percent of the impact funds are allocated to TACIR in two separate 20 percent increments. If there are still funds remaining, then they go to regional development authorities that have acquired a former nuclear site from TVA. Any money remaining after these allocations follows the normal distribution of TVA gross receipts tax.

**Collection:** State remits municipality's share quarterly.

**Use Restrictions:** None.

## Corporate Excise Tax

**Reference Number:** MTAS-1883

**Revenue Class:** Intergovernmental Revenue

**Fund:** General

**Account No.:** 33593

**Description:** The state corporate excise tax collected from banks is shared with municipalities and counties.

Local tax rates determine the payment allocation between the county and the city, so a city must levy a property tax to receive any funds. Another formula is prescribed for allocating such revenue if a bank has branches in more than one city and/or in more than one county. T.C.A. § 67-4-2017 (a)(1)(B).

**Authorization:** T.C.A. § 67-4-2017

**Requirements or Restrictions:** As noted in T.C.A.

**Current Rate:** The tax is 3 percent of net earnings (excluding interest from state bonds), less 7 percent of *ad valorem* taxes, divided between counties and municipalities based on property tax rates.

**Frequency of Payment:** Annually in the third quarter.

**Late Pay Penalty:** N/A

**Exemptions:** None.

**Collection:** State forwards revenue to municipalities in third quarter of each year.

**Use Restrictions:** None.

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**Links:**

[1] <http://www.mtas.tennessee.edu/finance-and-accounting>

[2] <https://www.tn.gov/content/dam/tn/revenue/documents/taxguides/bustaxguide.pdf>

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