



Municipal Technical Advisory Service  
INSTITUTE *for* PUBLIC SERVICE

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## Local Option Sales Tax: Municipality

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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.

Sincerely,

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# Table of Contents

Local Option Sales Tax: Municipality .....	3
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## Local Option Sales Tax: Municipality

**Reference Number:** MTAS-1854

**Revenue Class:** Local Taxes

**Fund:** General

**Account No.:** 31620

**Description:** Receipts from municipal local option sales tax.

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

**Requirements or Restrictions:** Where county tax exists, municipality may levy a tax equal to the difference between the county tax and the maximum rate of 2.75 percent. T.C.A. § 67-6-703. 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. See also the requirements and restrictions listed under Account # 31610 – Local Option Sales Tax: Countywide (MTAS document MTAS-1853)

**Current Rate:** Varies, but cannot exceed 2.75 percent.

**Frequency of Payment:** Monthly.

**Late Pay Penalty:** N/A

**Exemptions:** Same as account 31610.

**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* will be distributed 50 percent to municipalities based on population and 50 percent to counties based on population. The county then forwards their portion to the municipality where collected.

**Use Restrictions:** None.

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