



Municipal Technical Advisory Service
INSTITUTE *for* PUBLIC SERVICE

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State-Shared Income Tax (Hall Income Tax)

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

State-Shared Income Tax (Hall Income Tax)	3
---	---

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.

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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