

Payments in Lieu of Taxes: Industry

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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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.

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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