



Municipal Technical Advisory Service  
INSTITUTE *for* PUBLIC SERVICE

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## Local Option Sales Tax: Countywide

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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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# Table of Contents

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

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