

Municipal Technical Advisory Service INSTITUTE FOR PUBLIC SERVICE

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This document was prepared in response to the following questions by the City of Germantown:

1. What factors are used to calculate state shared sales tax?
2. Do the factors change or stay the same?
3. What population number is used?

Summary of the Distribution of State Sales and Use Tax

State sales and use tax is currently 7%. An additional calculation shows the allocation as a percentage breakdown of the 7%. The collections are allocated as follows:

<u>Allocation Recipient</u>	<u>Percent of Collections</u>	<u>Tax Rate</u>	<u>Portion of the Tax Rate</u>
State general fund	29.0141 %	X 7% =	2.0310%
Education	65.0970%	X 7% =	4.5568%
Municipalities	4.6030%	X 7% =	.3222%
Dept. of Revenue	.3674%	X 7% =	.0257%
State Debt Sinking Fund	<u>.9185%</u>	X 7% =	<u>.0643%</u>
	<u>100.0000%</u>		<u>7.0000%</u>

The current version of TCA § 67-6-103 is effective until July 1, 2017. The current text of the code was compared to the amendments that become effective on July 1, 2017, and nothing that affects the percentage of municipal allocation was noted.

Fluctuation of Allocation Factors

The factors will change as municipalities have special censuses performed and certified from year-to-year. I suspect this factor would not cause a significant difference except in the case of a largely populated annexation or de-annexation. Sales tax collections will always vary as a result of the economy. Most of us base our projections on the forecasts of the economists and past two or three year history of actual collections. Any other variances would result from a legislative amendment.

Population Used for Revenue Allocation

A list of municipal certified populations is sent to the Department of Revenue by the Tennessee Department of Economic and Community Development (TNECD) annually. This list is used to make the shared revenue allocations. The population may be the last federal census or a special census certified by TNECD. A municipality has the right to take no more than 4 special censuses at its own expense during the time between the decennial (10 years) federal census.