

State-Shared Taxes and Cities Without Property Taxes: A Source of Inequity?



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State-Shared Taxes and Cities Without Property Taxes: A Source of Inequity?

TACIR Staff Report

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Executive Summary

There are 84 cities in Tennessee that do not levy property taxes. Property taxes are a major source of revenue for cities, and cities that do not levy them are limited in the amount of own-source revenue they are able to generate. These cities are also generally more dependent on state-shared taxes to maintain their current level of spending and they provide fewer services to citizens. Though cities without property taxes do not tax themselves to the same degree as cities that levy property taxes, all cities receive state-shared tax distributions based on the same formulas. These factors may indicate an inequity in the state tax sharing process.

TACIR staff has analyzed data from the "1997 Census of Governments" (COG 1997) in order to further explore this possible inequity. Major findings are as follow:

- Cities that do not levy property taxes are generally small. Based on 2003 population figures, 59 of the 84 cities (70%) have populations of 1,500 or less.
- A total of \$14,414,336 was distributed to cities without property taxes in the form of state-shared taxes in 2003 (See Appendix 1A).
- Cities without property taxes produce a smaller share of own-source revenue.¹ These cities reported an average of 30% of their total general revenue as own-source revenue while cities with property taxes reported an average of 52% of their total revenue as own-source revenue.
- Cities without property taxes are more dependent on state intergovernmental aid than cities with property taxes, based on the percent of total general revenue derived from state intergovernmental aid. Cities that do not levy property taxes depend on state intergovernmental revenue for an average

This study evaluates how equity and fairness in state tax sharing is impacted by the 84 cities in Tennessee that do not levy property taxes.

¹ Own source revenue includes locally imposed taxes such as business taxes, property taxes, sales taxes, and motor vehicle license taxes, as well as other/miscellaneous revenue such as fines and forfeits, special assessments, and rents.

Cities without property taxes generally raise less own-source revenue, provide fewer services, and are more dependent on state-shared taxes than cities that do levy property taxes.

of 54% of their total general revenue. In contrast, cities that do levy property taxes report an average of only 34%.

- Cities that do not levy property taxes provide fewer services to citizens. In this study, services are measured based on expenditure data from COG 1997. Based on the criteria that a city provides service if it spent any money on a service, cities without property taxes provided an average of 3.1 services. Based on the more stringent criteria that a city provided a service if it spent 50% or more of the state median per capita expenditure on a service, cities without property taxes provided an average of 2.1 services. In contrast, cities with property taxes provided an average of 4.9 services and 3.9 services, respectively.
- City size does appear to be closely related to the number of services offered. Still, the variance of services provided among cities with and without property taxes is very clear. Even the smallest cities with property taxes provided an average of more services than the largest cities without property taxes.

Introduction

City budgets in Tennessee rely on revenue from several different sources. A portion of city revenue is derived from intergovernmental sources, such as state-shared taxes, and a portion of city revenue is locally generated. Property taxes represent a significant source of locally generated revenue, or own-source revenue, for cities. However, 84 cities in Tennessee do not levy property taxes. These cities generally raise less own-source revenue and are more dependent on intergovernmental aid to maintain their current levels of spending. They also provide fewer services than do cities that levy property taxes, as a whole. Though these 84 cities do not tax themselves to the same extent as cities with property taxes, all cities in Tennessee receive state-shared tax distributions based on the same formulas, with the exception

of two cities that are categorized as premier resort type cities.² These facts may represent an inequity in the state tax sharing process.

State-shared taxes are used to supplement other forms of intergovernmental aid and own-source revenue. Own-source revenue includes locally imposed taxes such as business taxes, property taxes, sales taxes, motor vehicle taxes, and other/miscellaneous revenue including user fees, charges, fines and forfeits, and special assessments.³ State-shared taxes help cities provide services to their citizens and assist in keeping property taxes low. However, are state-shared taxes intended to be a complete substitute for property taxes? To explore how equity and fairness in state tax sharing is influenced by cities that do not levy property taxes, TACIR analyzed city data focusing on fiscal performance and number of services provided.⁴

The analysis considers:

- Which cities do not levy property taxes?
- How large are cities that do not levy property taxes?
- How many services do they provide to their citizens?
- How much money do they receive in state-shared taxes?
- How are such cities different from those that do levy property taxes?
- How do cities without property taxes finance their operations?
- Do cities that do not levy property taxes resemble other cities with similar populations?

²Gatlinburg and Pigeon Forge. See Green, Naccarato, *et al*, *State Tax Sharing with Cities: Premier Type Resort Cities as Models*, TACIR, September 2004 for a discussion of tax sharing with these cities.

³Wheel taxes are included in the category of “motor vehicle taxes.”

⁴The main data source for this study is the “1997 Census of Governments” (COG 1997). COG 1997 provides fiscal and employment data for cities, counties, and special districts. See Appendix 2 for further source information.

Measuring Equity

Neither Tennessee's constitution nor the Tennessee Code Annotated list a specific, over-arching set of criteria to define or measure equity in tax distribution. In *State Tax Sharing, Fairness, and Local Government Finance in Tennessee* (January 2004), TACIR included a section that listed the various reasons behind most state-local aid programs and principles useful in guiding the distribution of such aid.⁵ The Basic Education Program (BEP) represents the preeminent state-local aid program in Tennessee, and stands out as the best example of a Tennessee state-local aid program based firmly on three well-recognized tax-sharing principles; namely (1) aid should consider **need**, (2) aid should consider **local revenue capacity**, and (3) aid should consider **local effort**.⁶ This report directly addresses one of these factors, effort, as it pertains to state-shared taxes.

Distributions or allocations of state aid to local governments based on principles of equity are preferable to ones based merely on some combination of historical and political expediency and compromise. The reason for this preference is straightforward: changes to distributions based on principles of equity or fairness can be evaluated (better or worse) using the same set of principles used to formulate the original method of distribution; changes to distributions based solely on political compromises can not be evaluated as better or worse, they are simply different.

The existence of guiding principles behind specific aid program distributions can be found either in explicit language in the original legislation authorizing a state aid program, the statutes themselves, or implicitly in the detailed procedures used to distribute program funds. The state property tax relief program is another example (in addition to the BEP) of a program whose distribution is guided by a clear set of principles. While a modest program in size (approximately \$10 million per year), it targets low income elderly and disabled home owners. Local governments are essentially

⁵ Pages 21-31 of *State Tax Sharing, Fairness, and Local Government Finance in Tennessee*.

⁶ All of these factors play a role in either the BEP program cost or the TACIR fiscal capacity model, which serves as a component of the BEP model.

reimbursed for property taxes they would otherwise lose from the tax exemptions provided by this program.

Assuming that a state-local aid program contains either an explicit or implicit set of objectives or stated clear purpose, the actual distribution method used to distribute the program aid to local governments can be evaluated by analyzing how successfully it links the objectives of a program with the actual distributions to local governments.

The report that follows focuses on the effect of existing state-local aid programs, specifically state-tax sharing programs, on the local government finances of cities with and without property taxes. It examines the relative local tax effort of these cities, their relative dependence on intergovernmental aid, and the level of service that they provide to their citizens. It sheds light on the impact of state-local tax sharing programs that have few or no clear-cut principles behind their construction and that do not account for local effort in their distribution schemes, and the possible unintended consequences that result.

Characteristics of Cities Without Property Taxes

As of 2004, there are 84 cities in Tennessee that do not levy a property tax.⁷ The fiscal information analyzed here is based on data for 79 of these cities.⁸

As a whole, cities that do not levy property taxes are small. Their populations range from 60 to 17,720.⁹ Based on 2003 population figures, 59 (70%) of the 84 cities without property taxes fall under the 1,500 minimum population standard for new incorporations.¹⁰ Sixty-seven of the 84 have populations under 2,000.

⁷ See Appendix 3 to view data on revenue, services provided, and expenditures for all cities without property taxes.

⁸ Bean Station, Coopertown, Pleasant View, and Unicoi are not included in this study because they were not incorporated when COG 1997 data was collected. Ramer is not included because the data appeared to be erroneous. See Appendix 5 for a map showing the location of cities without property taxes in Tennessee.

⁹ Source: Department of Economic & Community Development.

¹⁰ TCA 6-1-201, TCA 6-18-103, TCA 6-30-104, TCA 6-58-101.

In 2003, cities without property taxes received \$14,414,336 in state-shared taxes. These cities received an average of \$171,599 each.

In FY 2003, cities without property taxes received \$14,414,336 in state-shared taxes. This amount represents an increase of \$3,866,977 from the amount distributed in 1997 when the COG 1997 was conducted.¹¹ In 1997 cities without property taxes received an average of \$130,210. Using the Consumer Price Index to adjust for inflation, in 1997 the average state-shared tax distribution to cities in 2003 dollars was \$149,273.¹² By 2003 the average amount of state-shared taxes received by cities without property taxes had increased to \$171,599.¹³ While the actual COG 1997 data provides figures for state aid, most of the state aid provided to cities without property taxes consists of state-shared taxes. This study does not evaluate state-shared taxes received specifically, but does evaluate state intergovernmental aid. State intergovernmental aid is the sum of state grants-in-aid, state-shared taxes, payments-in-lieu-of-taxes, and reimbursements for services performed for state government.

Cities Without Property Taxes Compared to Cities With Property Taxes

How are cities without property taxes able to function without this important revenue source? To answer this question, cities with and without property taxes are compared with one another. Since cities without property taxes tend to be small, they are compared to cities (with property taxes) that have similar populations. TACIR used cities with populations of 5,000 or less for this comparison.¹⁴ To reduce the impact of state educational revenue grants, cities with city school systems were omitted from the analysis as were cities for which data was obviously erroneous.¹⁵ TACIR analyzed the fiscal performance of cities, as well as the number of services provided.

¹¹ Source: Tennessee Department of Revenue.

¹² Source: U.S. Department of Labor, Bureau of Labor Statistics

¹³ See Appendix 1A, Appendix 1B, and Appendix 1C for changes in city distributions from 1997 to 2003.

¹⁴ There are two cities without property taxes included in this study that had populations over 5,000 (Mt. Juliet: 1996 population is 7,430 and Farragut: 1996 population is 16,223).

¹⁵ Cities that have city school systems receive intergovernmental revenue from the state and their respective county governments for education (city share of county educational property taxes and city share of 50% of county-wide local option sales taxes for education). Their exclusion reduces distortions that would otherwise occur as a result of these large earmarked intergovernmental revenue flows to a relatively small group of cities.

Table 1. Comparison of Cities Without Property Taxes to Cities With Property Taxes

Item	Cities Without Property Taxes (N=79)		Cities With Property Taxes and Populations Under 5,000 (N=176)	
	Median	Mean	Median	Mean
Population 1996	640	1,228	1,269	1,622
Services Provided, Criteria 1	3.0	3.1	5.0	4.9
Servies Provided, Criteria 2	2.0	2.1	4.0	3.9
Federal Intergovernmental Revenue Per Capita	0.0	3.0	0.0	10.0
State Intergovernmental Revenue Per Capita	98.0	170.0	114.0	156.0
Local Intergovernmental Revenue Per Capita	13.0	49.0	26.0	71.0
Tax Revenue Per Capita	29.0	66.0	151.0	213.0
Other/Miscellaneous Revenue Per Capita	23.0	51.0	47.0	78.0
Total Revenue Per Capita	238.0	338.0	416.0	528.0
Per Capita Expenditures	164.0	229.0	386.0	442.0
Own-Source Revenue as Percent of Total Revenue	27%	30%	51%	52%
State Intergovernmental Revenue as Percent of Total Revenue	55%	54%	30%	34%

Source: US Census Bureau, Census of Governments, 1997

Bean Station, Coopertown, Pleasant View, Ramer, Trezevant, and Unicoi not included in calculations.

Cities with city school systems also excluded.

All revenue and expenditure information excludes utilities.

Federal Intergovernmental Revenue: Amounts received directly from the Federal Government.

State Intergovernmental Revenue: Amounts received directly from state government including aid passed through the state government and state aid channelled through intermediate local Federal governments (e.g., counties).

Local Intergovernmental Revenue: Amounts received from local governments for use in performing specific functions, for general financial assistance, or as share of tax proceeds.

Tax Revenue from COG 1997. Defined as: Compulsory contributions exacted by a government for public purposes, other than from special assessments for capital improvements and from employee and employer contributions or "taxes" for retirement and social insurance systems. Comprises amounts received (including interest and penalites) from taxes (1) imposed by a government and collected by that government or (2) collected on its behalf by another government serving as its agent.

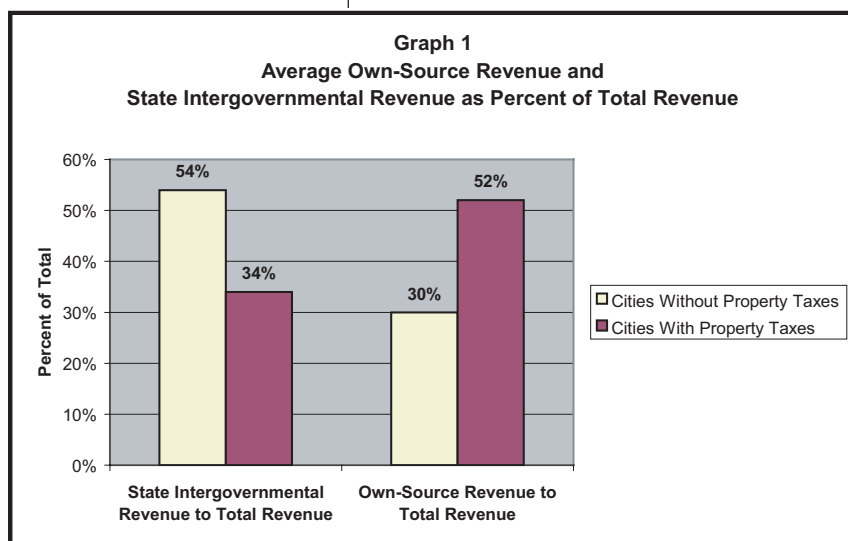
Other Revenue: Miscellaneous revenue which does not fall under intergovernmental revenue or tax excluding utilities, current charges, and insurance trust revenue. Examples of revenue in this category revenue, include revenue from property sales, interest earnings, and special assessments.

Average per capita expenditures of cities that levy property taxes are significantly more than average per capita expenditures of cities that do not levy property taxes.

Local Government Finances

TACIR measured cities' own-source revenue as a percent of total general revenue. This is important in a study of equity and fairness because some cities may raise significantly less own-source revenue than other cities but receive the state shared taxes based upon the same distribution formulas. Own-source revenue in this study includes locally imposed taxes (such as business taxes, property taxes, sales taxes, motor vehicle license taxes, etc.), and other/miscellaneous revenue (such as fines and forfeits, special assessments, rents, etc.).¹⁶ Total operating revenue is the sum of these revenues plus intergovernmental revenue (from federal, state, and local sources). In the category of other/miscellaneous revenue, current charges and non-general revenue were excluded to simplify comparisons of cities with and without property taxes.¹⁷

TACIR's analysis found that **cities with property taxes raise significantly more own-source revenue than cities without property taxes.**¹⁸ The ratio of own-source revenue to total revenue for cities without property taxes averaged 30%, while the average for cities with property taxes was 52%.¹⁹ Consistent with this finding is that cities with property taxes rely less on



Source: US Census Bureau, Census of Governments, 1997

¹⁶ Wheel taxes included in the category of "motor vehicle taxes."

¹⁷ Current charges were excluded for two reasons: 1) the single largest category of current charges was for sewerage, and many cities did not report separate data for this category, instead reporting combined water and sewerage charges under water supply utility revenue, which is not general revenue; and 2) the second largest category of current charges reported was for hospitals. Only a handful of cities in Tennessee run their own hospitals, and those that do generate substantial amounts of hospital-related revenues. Including hospital charges would therefore tend to distort the fiscal pictures of most cities.

¹⁸ See Table 1.

¹⁹ See Graph 1.

state intergovernmental aid to function than do cities without property taxes. State intergovernmental aid accounted for a mean of 34% of total revenue for cities with property taxes, versus a mean of 54% for those without property taxes.

Property taxes represent the single largest source of city tax revenue in Tennessee. Cities that lack this essential revenue source are much more limited in the amount of tax revenue they are able to generate, making them more dependent on other revenue sources. Tax revenue includes taxes collected directly by a city as well as taxes collected on a city's behalf by another government, such as county government.

Cities with property taxes raise more tax revenue than cities without property taxes, based on per capita tax revenue (mean per capita \$213 versus \$66). Besides property taxes, another large source of revenue for some cities is business tax revenue. However, this is not the case for cities without property taxes.²⁰

The business tax is a gross receipt tax levied by cities and counties on businesses Tennessee Department of Revenue data indicates that only four of the 84 cities without property taxes levy business taxes (Berry Hill, Caryville, Farragut, and Mount Juliet).

It is important to note that **per capita state intergovernmental aid distributed to cities, regardless of whether they levy a property tax or not, does not differ much.** This follows from the fact that the principal basis for state tax distributions to cities is population. In FY 1997, cities that do levy property taxes reported average per capita state intergovernmental aid of \$156 while cities that do not levy property taxes reported average per capita state intergovernmental aid of \$170.

Cities without property taxes generated an average of \$66 per capita in tax revenue compared to an average of \$213 per capita generated by cities with property taxes.

²⁰ The business tax is a gross receipt tax levied by cities and counties on businesses engaging in activities with "the object of gain, benefit, or advantage, either directly or indirectly." (Business Tax Guide, Department of Revenue, August 2003) The business tax is applicable to businesses, vocations, and occupations listed in Tenn. Code Ann. Sections 67-4-708(1)-(4).

Cities that levy property taxes provide an average of 4.9 services compared to 3.1 services for cities that do not levy the property tax.

Services Provided

An analysis of services provided by cities is essential in a study of equity and fairness because helping cities provide services is generally considered one of the principal reasons for state-tax sharing. The services required in the statutory plan of services required for new incorporations are fire protection, police protection, parks and recreational facilities, sanitary sewage system, solid waste disposal, road and street construction and repair, and water service.²¹

For the purpose of this report, sewerage and water service are evaluated as one service since many cities have joint water/sewer departments. Note that evaluation of city spending on water and sewerage to determine whether or not a city provides these services was completed in an analysis separate from that which calculates fiscal effort. Fiscal effort calculations exclude spending on and revenue earmarked for utilities. Cities are not required to *directly* provide these services and may make arrangements with a private contractor to deliver services. In that case, evaluating expenditures still reveals whether or not a city is providing service because they would have to pay the private contractor. Cities also have the option of contracting with county governments for certain services.

Two criteria are used to measure city service levels in this analysis.²² Criteria 1 is met if a city reported any level of spending on a service. Criteria 2 is met if a city reported spending an amount equal to or greater than 50% of the median per capita amount spent by cities that reported spending any positive amount on the service.

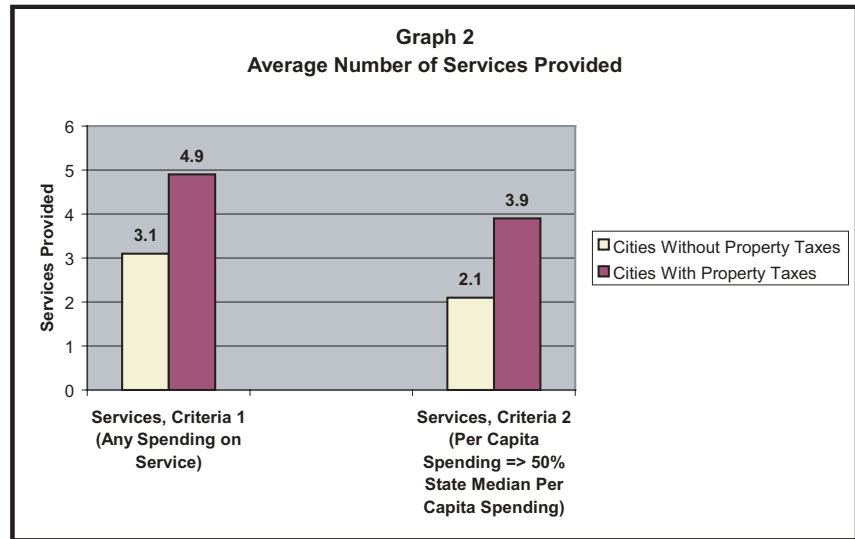
TACIR's analysis found that **cities that do not levy property taxes provide fewer services**. Based on Criteria 1, cities without property taxes offered an average of 3.1 services.²³ Based on the same criteria, cities with property taxes offered an average of 4.9 services to citizens. Based on Criteria 2,

²¹TCA 6-1-201; TCA 6-18-103; TCA 6-30-104; TCA 6-58-101 et seq.

²² See Appendix 6 for a full description of criteria.

²³ See Graph 2.

cities without property taxes offered an average of 2.1 services, versus an average of 3.9 services offered by cities with property taxes based on the same criteria. The analysis also found that cities that levy property taxes spend considerably more per capita overall than cities that do not levy property taxes (mean per capita expenditures of \$442 versus \$229). The fact that cities without property taxes spend so much less per capita than cities with property taxes generally reflects lower service levels.



Source: US Census Bureau, Census of Governments, 1997

Population

Though the effect is less significant than the levying of property taxes, city size also has an affect on cities' ability to generate own-source revenue, their dependence on state-shared taxes, and the number of services they provide. To explore how city size is related to these variables, cities with and without property taxes were grouped into quartiles (4 groups of equal number) based on population.²⁴

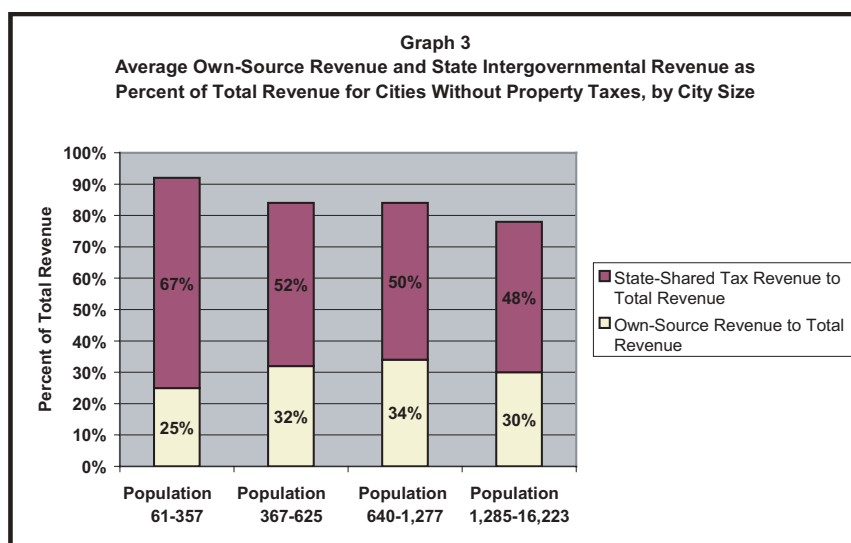
The trends seem to be similar among both cities with and without property taxes. That is, as cities get larger, they are less dependent on state aid and provide more services. However, though the trends follow similar patterns, the dollar amounts and number of services provided among cities with and without property taxes vary greatly. In many cases the smallest cities with property taxes fare better than the largest cities without property taxes.

²⁴ Note that all findings below are based on 1996 population in order to be compatible with COG 1997 data.

Cities with property taxes raised a considerably larger percent of own-source revenue than cities without property taxes.

Own-Source Revenue

City size does not appear to be strongly related to the amount of own-source revenue cities generate.²⁵ However, cities of all sizes with property taxes raised a considerably larger percent of own-source revenue than cities without property taxes.



Source: US Census Bureau, Census of Governments, 1997

Cities Without Property Taxes

The quartile reporting the lowest percentage of own-source revenue was Quartile 1 (population 61-357), which reported an average 25% of own-source revenue in relation to total revenue. The other three quartiles reported similar percentages of own-source revenue, with each averaging between 30% and 34%.

Cities With Property Taxes

There was little variance by quartiles with respect to own-source revenue as a percentage of total revenue.²⁶ Two quartiles reported a mean 51% of own-source to total revenue, and the other two quartiles reported means of 52% and 54% of own-source to total revenue.

²⁵ See Table 2 and Graph 3.

²⁶ See Table 3.

Table 2. Cities Without Property Taxes Selected Results by Quartiles (City Size)

	Quartile 1 Pop 61-357	Quartile 2 Pop 367-625	Quartile 3 Pop 640-1,277	Quartile 4 Pop 1,285-16,223
Total Intergovernmental Revenue as Percent of Total Revenue (Mean) ¹	75%	68%	67%	70%
State Intergovernmental Revenue as Percent of Total Revenue (Mean) ²	67%	52%	50%	48%
Own-Source Revenue as Percent of Total Revenue (Mean) ³	25%	32%	34%	30%
Mean Number of Services (Based on Criteria 2) ⁴	1.6	1.9	2.2	2.8
Median Per Capita Tax Revenue ⁵	\$67	\$45	\$83	\$70
Median Per Capita Expenditures ⁶	\$154	\$202	\$255	\$301

¹ Total Intergovernmental Revenue (Federal Intergovernmental Revenue+State Intergovernmental Revenue+Local Intergovernmental Revenue) / Total Revenue (Total Intergovernmental Revenue+Tax Revenue+Other Revenue)

² State Intergovernmental Revenue / Total Revenue

³ Own-Source Revenue (Tax Revenue+Other Revenue) / Total Revenue

⁴ Number of services out of 6 (fire, parks & recreation, police, sewerage/water, solid waste management, and streets and highways) on which the city spent at least 50% of the state median per capita.

⁵ Tax Revenue / Population 1996

⁶ Expenditures / Population 1996

Source: US Census Bureau, Census of Governments, 1997

N=79

No data for Bean Station, Coopertown, Pleasant View, Ramer, and Unicoi.

Table 3. Cities With Property Taxes Selected Results by Quartile (City Size)

	Quartile 1 Pop 95-601	Quartile 2 Pop 604-1,261	Quartile 3 Pop 1,277-2,239	Quartile 4 2,286-4,990
Total Intergovernmental Revenue as Percent of Total Revenue (Mean) ¹	49%	48%	49%	46%
State Intergovernmental Revenue Percent of Total Revenue (Mean) ²	40%	35%	33%	28%
Own-Source Revenue as Percent of Total Revenue (Mean) ³	51%	52%	51%	54%
Mean Number of Services (Based on Criteria 2) ⁴	3.1	3.5	4.0	4.9
Median Per Capita Tax Revenue ⁵	\$185	\$186	\$161	\$319
Median Per Capita Expenditures ⁶	\$365	\$400	\$392	\$611

¹ Total Intergovernmental Revenue (Federal Intergovernmental Revenue+State Intergovernmental Revenue+Local Intergovernmental Revenue) / Total Revenue (Total Intergovernmental Revenue+Tax Revenue+Other Revenue)

² State Intergovernmental Revenue / Total Revenue

³ Own-Source Revenue (Tax Revenue+Other Revenue) / Total Revenue

⁴ Number of services out of 6 (fire, parks & recreation, police, sewerage/water, solid waste management, and streets and highways) on which the city spent at least 50% of the state median per capita.

⁵ Tax Revenue / Population 1996

⁶ Expenditures / Population 1996

Source: US Census Bureau, Census of Governments, 1997

N=176

Cities with city school systems excluded, as well as cities with populations of 5,000 and over.

The importance of state aid declines as city size increases.

Even the smallest cities with property taxes provided an average of more services than the largest cities without property taxes.

Importance of State Aid

For cities with and without property taxes, the importance of state aid declines as city size increases. However, all groups of cities with property taxes were less dependent on state aid than all groups of cities without property taxes.

Cities Without Property Taxes

Based on the percentage of total revenue comprised of state intergovernmental revenue, larger cities are less dependent on this revenue source. The quartile least dependent on state intergovernmental aid was Quartile 4 (population 1,285-16,223). These cities had a mean reported dependence on state intergovernmental aid of 48%.

Cities With Property Taxes

The level of dependence on state intergovernmental aid varied more than ability to raise own-source revenue. Quartile 4 (population 2,286-4,990) reported the least dependence on state intergovernmental aid (28% of total revenue from state intergovernmental aid). These values increase as the cities within quartiles become larger, with Quartile 1 (population 95-601) reporting the most dependence on state intergovernmental aid (40% of total revenue from state intergovernmental aid).

Services

City size does appear to be closely related to the number of services offered. Even so, the variance of services provided among cities with and without property taxes is very clear. Even the smallest cities with property taxes provided an average of more services than the largest cities without property taxes.

Cities Without Property Taxes

Based on expenditure data from COG 1997, larger cities provide more services. Quartile 4 (population 1,285-16,223), which is the quartile containing the largest cities, reported providing the highest average number of services (2.8) based on Criteria 2. The average number of services provided

decreases among the other three quartiles with Quartile 1 (population 61-357) providing an average of only 1.6 services.

Cities With Property Taxes

The number of services offered does increase as cities become larger. Cities in the first quartile (population 95-601) offered a mean of 3.1 services, those in the second (population 604-1,218) and third (population 1,231-2,295) offered means of 3.5 and 4.0 services, respectively. Cities in the fourth quartile (population 2,236-4,990) offered a mean of 4.9 services.

Conclusions

Though cities with property taxes generate more own-source revenue than cities without property taxes, all cities receive state-shared taxes based on the same distribution formulas (excluding Premier Tourist Type Resort Cities). At present there is no fiscal effort requirement for receiving state-shared tax distributions. State intergovernmental aid is used to supplement other forms of revenue, but from this study it is evident that many cities without property taxes are heavily relying on state-shared taxes to fund their activities. In the absence of state-shared tax dollars, it is doubtful that many could continue to function without levying property taxes. There is also no service requirement for existing cities to receive state-shared taxes. Cities without property taxes most likely would be able to provide more services to citizens if property tax revenues were a part of their budgets. As the quartile analysis shows, even the largest cities studied without property taxes provide an average of only 2.8 services. The limited ability to generate own-source revenue, the level of dependence on state intergovernmental aid, and the low number of services provided by these cities can be linked to their lack of property taxes. The fact that these cities receive state-shared taxes based on the same formulas as other cities may represent an inequity in state tax sharing.

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Appendix 1A
2003 State-Shared Tax Distributions to Cities Without Property Taxes (\$)

MUNICIPALITY	INCOME TAX	GASOLINE & MOTOR FUEL	BEER	T.V.A. REPLACEMENT	SALES & USE	MIXED DRINK	SPECIAL PETROLEUM	EXCISE TAXES	TOTAL
ALLARDT	3,999	17,930	334	4,181	38,547	0	1,467	0	66,456
ALTAMONT	455	31,726	590	7,398	68,207	0	2,595	0	110,971
ATWOOD	2,921	27,928	520	6,513	60,041	0	2,284	0	100,207
AUBURNTOWN	1,439	7,038	131	1,641	15,130	0	576	0	25,955
BAILEYTON	25	14,076	262	3,282	30,261	0	1,151	0	49,057
BEAN STATION	6,559	72,323	1,351	16,926	155,511	0	5,917	0	258,586
BEERSHEBA SPRINGS	0	15,444	287	3,601	33,203	0	1,263	0	53,799
BERRY HILL	3,783	18,823	350	4,389	40,468	29,455	1,540	0	98,808
BLAINE	2,758	44,265	824	10,322	95,166	0	3,621	0	156,956
BRADEN	521	7,568	141	1,765	16,271	0	619	0	26,886
BURLISON	364	12,651	235	2,950	27,199	0	1,035	0	44,435
CARYVILLE	12,616	63,061	1,173	14,705	135,574	0	5,158	0	232,287
CENTERTOWN	21	7,177	134	1,674	15,431	0	587	0	25,023
CLARKSBURG	99	7,959	148	1,856	17,112	0	651	0	27,825
COALMONT	686	26,475	493	6,174	56,919	0	2,166	0	92,913
COOPERTOWN	9,318	96,838	1,824	22,859	208,300	0	7,925	0	347,064
CRAB ORCHARD	0	23,403	435	5,458	50,315	0	1,914	0	81,525
CROSS PLAINS	3,095	38,568	718	8,994	82,917	0	3,155	0	137,447
CRUMP	716	42,478	790	9,906	91,323	0	3,475	0	148,688
DOWELLTOWN	684	8,434	157	1,967	18,133	0	690	0	30,064
DOYLE	116	14,662	273	3,419	31,522	0	1,199	0	51,192
EASTVIEW	0	17,259	321	4,025	37,106	0	1,412	0	60,123
ENVILLE	0	6,423	120	1,498	13,810	0	525	0	22,376
ETHRIDGE	3,114	14,969	279	3,491	32,182	0	1,224	0	55,260
FARRAGUT	328,415	494,879	9,208	115,403	1,063,936	154,591	40,479	0	2,206,910
FINGER	331	9,775	182	2,279	21,015	0	800	0	34,381
FOREST HILLS	572,186	131,539	2,448	30,674	282,796	9,881	10,759	0	1,040,283

Appendix 1A (continued)
2003 State-Shared Tax Distributions to Cities Without Property Taxes (\$)

MUNICIPALITY	INCOME TAX	GASOLINE & MOTOR FUEL	BEER	T.V.A. REPLACEMENT	SALES & USE	MIXED DRINK	SPECIAL PETROLEUM	EXCISE TAXES	TOTAL
FRIENDSVILLE	3,574	24,856	463	5,796	53,437	0	2,033	0	90,159
GADSDEN	606	15,444	287	3,601	33,203	0	1,263	0	54,405
GARLAND	556	8,630	161	2,012	18,553	0	706	0	30,618
GILT EDGE	133	13,657	254	3,185	29,360	0	1,117	0	47,706
GREENBACK	22,593	26,643	496	6,213	57,280	0	2,179	0	115,403
GRUETLI-LAAGER	0	52,141	970	12,159	112,097	0	4,265	0	181,633
GUYS	4	13,489	251	3,146	29,000	0	1,103	0	46,993
HARROGATE	11,193	123,580	2,300	28,818	265,684	0	10,108	0	441,682
JACKSBORO	(658)	52,700	981	12,289	113,298	0	4,311	0	182,920
LAKELAND	23,780	191,640	3,566	44,689	412,005	0	15,675	0	691,355
LAKEWOOD	874	65,379	1,217	15,246	140,557	0	5,348	0	228,620
LOUISVILLE	19,935	57,298	1,066	13,364	123,185	0	4,687	0	219,535
LUTTRELL	4,198	25,554	475	5,959	54,938	0	2,090	0	93,215
MAYNARDVILLE	8,373	49,767	926	11,605	106,994	0	4,071	0	181,736
MEDON	1,267	7,321	140	1,752	15,756	0	600	0	26,835
MICHIE	3,172	18,069	336	4,214	38,847	0	1,478	0	66,116
MILLEDGEVILLE	135	8,015	149	1,869	17,232	0	656	0	28,056
MINOR HILL	580	12,204	227	2,846	26,238	0	998	0	43,093
MONTEAGLE	13,728	34,574	643	8,063	74,331	20,434	2,828	0	154,602
MOSHEIM	4,438	48,973	911	11,423	105,287	0	4,006	0	175,039
MOUNT JULIET	36,176	386,891	7,274	91,156	832,141	4,581	31,661	0	1,389,881
NEW MARKET	10,570	34,463	641	8,037	74,091	0	2,819	0	130,621
NEW TAZEVELL	16,862	80,180	1,492	18,698	172,379	0	6,559	0	296,170
OAK HILL	365,990	125,479	2,335	29,261	269,767	0	10,264	0	803,095
ORLINDA	0	16,589	309	3,868	35,665	0	1,357	0	57,788
ORME	0	3,463	64	808	7,445	0	283	0	12,063

Cities Without Property Taxes: A Source of Inequity?

Appendix 1A (continued)
2003 State-Shared Tax Distributions to Cities Without Property Taxes (\$)

MUNICIPALITY	INCOME TAX	GASOLINE & MOTOR FUEL	BEER	T.V.A. REPLACEMENT	SALES & USE	MIXED DRINK	SPECIAL PETROLEUM	EXCISE TAXES	TOTAL
PALMER	213	20,276	377	4,728	43,590	0	1,659	0	70,842
PARKERS CROSSROADS	41	7,931	148	1,850	17,052	0	649	0	27,670
PARROTTSVILLE	7,212	5,781	108	1,348	12,429	0	473	0	27,350
PEGRAM	7,030	59,933	1,115	13,976	128,849	0	4,902	0	215,806
PHILADELPHIA	2,039	14,885	277	3,471	32,002	0	1,218	0	53,892
PLAINVIEW	35	52,113	970	12,152	112,037	0	4,263	0	181,571
PLEASANT HILL	12,358	15,193	283	3,543	32,663	0	1,243	0	65,282
PLEASANT VIEW	6,210	81,940	1,525	19,108	176,162	0	6,702	0	291,647
POWELLS CROSSROADS	0	35,915	668	8,375	77,213	0	2,938	0	125,110
RAMER	1,645	9,886	184	2,305	21,255	0	809	0	36,084
ROCKFORD	33,090	23,794	443	5,549	51,155	0	1,946	0	115,978
RUTLEDGE	16,160	33,150	617	7,730	71,269	0	2,712	0	131,639
SALTILLO	187	11,395	212	2,657	24,497	0	932	0	39,880
SAMBURG	19	7,261	135	1,693	15,611	0	594	0	25,313
SAULSBURY	734	2,765	51	645	5,944	0	226	0	10,365
SILERTON	0	1,676	31	391	3,603	0	137	0	5,837
SLAYDEN	564	6,236	118	1,478	13,417	0	510	0	22,323
SNEEDVILLE	1,546	35,105	653	8,186	75,472	0	2,872	0	123,834
SPENCER	1,202	47,840	890	11,156	102,851	0	3,913	0	167,853
STANTONVILLE	1,569	8,713	162	2,032	18,733	0	713	0	31,922
SUNBRIGHT	2,670	16,114	300	3,758	34,644	466	1,318	0	59,270
TAZEWELL	56,778	60,463	1,125	14,100	129,990	0	4,946	0	267,402
TOWNSEND	56,891	6,814	127	1,589	14,650	0	557	0	80,628
TUSCULUM STATION	5,474	56,120	1,045	13,090	120,653	0	4,591	0	200,972
UNICOI	7,913	98,278	1,829	22,918	211,286	0	8,039	0	350,262
VIOLA	1,254	3,603	67	840	7,745	0	295	0	13,804

Appendix 1A (continued)
2003 State-Shared Tax Distributions to Cities Without Property Taxes (\$)

MUNICIPALITY	INCOME TAX	GASOLINE & MOTOR FUEL	BEER	T.V.A. REPLACEMENT	SALES & USE	MIXED DRINK	SPECIAL PETROLEUM	EXCISE TAXES	TOTAL
WARTBURG	15,100	24,856	463	5,796	53,437	0	2,033	0	101,685
WILLISTON	1,280	9,523	177	2,221	20,474	0	779	0	34,455
WINFIELD	5,162	25,442	473	5,933	54,698	0	2,081	0	93,790
WOODLAND MILLS	1,011	10,627	200	2,507	22,858	0	870	0	38,072
YORKVILLE	479	8,183	152	1,908	17,592	0	669	0	28,984
TOTAL	1,748,167	3,572,483	66,585	834,462	7,680,994	219,407	292,239	0	14,414,336

Source: Tennessee Department of Revenue

Appendix 1B
1997 State-Shared Tax Distributions to Cities Without Property Taxes (\$)

MUNICIPALITY	INCOME TAX	GASOLINE & MOTOR FUEL	BEER	T.V.A REPLACEMENT	SALES & USE	MIXED DRINK	SPECIAL PETROLEUM	EXCISE TAXES	TOTAL
ALLARDT	2,564	16,746	307	3,408	33,330	0	1,540	0	57,895
ALTAMONT	1,230	20,843	382	4,242	41,484	0	1,917	0	70,098
ATWOOD	90	29,312	537	5,965	58,340	0	2,696	0	96,941
AUBURNTOWN	451	6,599	121	1,343	13,135	0	607	0	22,256
BAILEYTON	2,037	9,047	166	1,841	18,006	0	832	0	31,928
BEERSHEBA SPRINGS	0	16,389	300	3,335	32,618	0	1,507	0	54,149
BERRY HILL	7,560	22,053	404	4,488	43,892	17,080	2,028	0	97,506
BLAINE	2,469	36,462	668	7,420	72,570	0	3,353	0	122,942
BRADEN	178	9,734	178	1,981	19,374	0	895	0	32,340
BURLISON	504	10,834	199	2,205	21,563	0	996	0	36,301
CARYVILLE	8,737	48,973	897	9,966	97,471	0	4,504	0	170,548
CENTERTOWN	0	8,969	167	1,858	18,170	0	840	0	30,003
CLARKSBURG	24	8,827	162	1,796	17,568	0	812	0	29,188
COALMONT	1,544	20,083	410	4,549	44,494	0	2,056	0	73,136
CRAB ORCHARD	1,185	24,088	441	4,902	47,942	0	2,215	0	80,773
CROSS PLAINS	1,214	34,657	707	7,851	76,784	0	3,548	0	124,760
CRUMP	109	55,765	1,022	11,348	110,989	0	5,128	0	184,362
DOWELLTOWN	496	7,608	155	1,723	16,856	0	779	0	27,618
DOYLE	218	9,487	174	1,931	18,881	0	872	0	31,562
EASTVIEW	31	15,481	284	3,150	30,812	0	1,424	0	51,182
ENVILLE	59	5,314	123	1,365	13,354	0	617	0	20,833
ETHRIDGE	1,953	15,263	285	3,162	30,922	0	1,429	0	53,012
FARRAGUT	293,211	406,825	7,456	82,790	809,706	97,023	37,413	0	1,734,424
FINGER	1,035	6,077	141	1,561	15,269	0	705	0	24,789
FOREST HILLS	654,475	116,342	2,132	23,676	231,556	7,935	10,699	0	1,046,815
FRIENDSVILLE	11,196	21,778	399	4,432	43,345	0	2,003	0	83,153
GADSDEN	370	13,438	311	3,453	33,767	0	1,560	0	52,899
GARLAND	980	8,634	158	1,757	17,185	0	794	0	29,508

Appendix 1B (continued)
1997 State-Shared Tax Distributions to Cities Without Property Taxes (\$)

MUNICIPALITY	INCOME TAX	GASOLINE & MOTOR FUEL	BEER	T.V.A REPLACEMENT	SALES & USE	MIXED DRINK	SPECIAL PETROLEUM	EXCISE TAXES	TOTAL
GILT EDGE	224	12,291	225	2,501	24,464	0	1,130	0	40,836
GREENBACK	5,384	17,846	327	7,398	35,519	0	1,641	0	68,116
GRUETLI-LAAGER	21	49,770	912	10,128	99,058	0	4,577	0	164,467
GUYS	201	12,277	250	2,781	27,200	0	1,257	0	43,966
HARROGATE	2,680	117,854	2,160	23,984	234,566	0	10,838	0	392,082
JACKSBORO	5,977	43,116	790	8,774	85,814	0	3,965	0	148,437
LAKELAND	10,615	57,277	1,050	11,656	113,999	0	5,267	0	199,865
LAKEWOOD	2,008	55,242	1,012	11,242	109,949	0	5,080	0	184,534
LOUISVILLE	26,996	37,549	700	7,778	76,072	0	3,515	0	152,611
LUTTRELL	964	27,497	504	5,596	54,728	0	2,529	0	91,818
MAYNARDVILLE	2,830	32,285	659	7,314	71,530	0	3,305	0	117,922
MEDON	6,369	5,075	117	1,304	12,752	0	589	0	26,206
MICHIE	1,386	18,726	343	3,811	37,270	0	1,722	0	63,258
MILLEDGEVILLE	0	7,834	146	1,623	15,871	0	733	0	26,207
MINOR HILL	297	10,229	187	2,082	20,359	0	941	0	34,095
MONTEAGLE	16,841	30,742	573	6,368	62,281	1,943	2,878	0	121,626
MOSHEIM	2,416	43,144	791	8,780	85,869	0	3,968	0	144,967
MOUNT JULIET	67,800	252,400	4,626	51,364	502,352	0	23,212	0	901,753
NEW MARKET	3,744	28,009	648	7,196	70,381	0	3,252	0	113,230
NEW TAZEVEL L	13,232	51,255	939	10,431	102,014	0	4,714	0	182,584
OAK HILL	212,684	118,267	2,167	24,067	235,387	0	10,876	0	603,449
ORLINDA	3,642	14,326	263	2,915	28,514	0	1,317	0	50,977
ORME	222	3,705	76	839	8,209	0	379	0	13,431
PALMER	94	24,115	442	4,908	47,997	0	2,218	0	79,773
PARKERS CROSSROADS	446	5,445	100	1,108	10,836	0	501	0	18,435
PARROTTSVILLE	1,474	3,483	71	789	7,717	0	357	0	13,890
PEGRAM	8,914	44,491	815	9,054	88,551	0	4,092	0	155,917

Cities Without Property Taxes: A Source of Inequity?

Appendix 1B (continued)
1997 State-Shared Tax Distributions to Cities Without Property Taxes (\$)

MUNICIPALITY	INCOME TAX	GASOLINE & MOTOR FUEL	BEER	T.V.A REPLACEMENT	SALES & USE	MIXED DRINK	SPECIAL PETROLEUM	EXCISE TAXES	TOTAL
PHILADELPHIA	1,382	11,437	233	5,278	25,339	0	1,171	0	44,840
PLAINVIEW	190	34,757	637	7,073	69,177	0	3,196	0	115,030
PLEASANT HILL	11,951	13,584	249	2,764	27,036	0	1,249	0	56,833
POWELLS CROSSROADS	783	30,192	553	6,144	60,092	0	2,777	0	100,541
RAMER	1,813	8,161	170	1,886	18,443	0	852	0	31,326
ROCKFORD	3,589	19,578	359	3,984	38,967	0	1,800	0	68,277
RUTLEDGE	12,227	32,997	605	6,715	65,674	0	3,035	0	121,252
SALTILLO	137	11,384	209	2,317	22,658	0	1,047	0	37,751
SAMBURG	436	10,284	188	2,093	20,468	0	946	0	34,415
SAULSBURY	1,683	2,915	59	660	6,458	0	298	0	12,074
SILERTON	16	2,805	51	571	5,582	0	258	0	9,283
SLAYDEN	798	2,418	56	621	6,075	0	281	0	10,248
SNEEDVILLE	1,344	39,981	733	8,136	79,575	0	3,677	0	133,446
SPENCER	2,345	30,935	567	6,295	61,569	0	2,845	0	104,556
STANTONVILLE	0	6,185	143	1,589	15,543	0	718	0	24,179
SUNBRIGHT	591	14,105	288	3,195	31,250	1,374	1,444	0	52,247
TAZEWELL	7,278	59,120	1,083	12,031	117,666	0	5,437	0	202,614
TOWNSEND	7,519	9,047	166	1,841	18,006	0	832	0	37,410
TUSCULUM STATION	4,534	59,587	1,092	12,126	118,596	0	5,480	0	201,415
UNICOI	0	80,870	1,482	16,457	160,956	0	7,437	0	267,203
VIOLA	935	3,382	62	688	6,732	0	311	0	12,110
WARTBURG	3,204	25,628	470	5,215	51,007	0	2,357	0	87,880
WILLISTON	691	9,300	215	2,389	23,369	0	1,080	0	37,045
WINFIELD	511	15,509	284	3,156	30,867	0	1,426	0	51,753
WOODLAND MILLS	601	10,944	201	2,227	21,782	0	1,006	0	36,761
YORKVILLE	611	8,571	175	1,942	18,991	0	877	0	31,167
TOTAL	1,456,551	2,683,552	49,911	560,682	5,420,518	125,354	250,460	0	10,547,028

Source: Tennessee Department of Revenue
 Bean Station, Coopertown, and Pleasant View not included due to incorporation in 1996.

Appendix 1C

Comparison of City Distributions of State-Shared Taxes in 1997 and 2003

Cities Without Property Taxes

MUNICIPALITY	1997 (\$)	2003 (\$)	Change	MUNICIPALITY	1997 (\$)	2003 (\$)	Change
ALLARDT	57,895	66,456	8,561	MILLEDGEVILLE	26,207	28,056	1,849
ALTAMONT	70,098	110,971	40,873	MINOR HILL	34,095	43,093	8,998
ATWOOD	96,941	100,207	3,266	MONTEAGLE	121,626	154,602	32,976
AUBURNTOWN	22,256	25,955	3,699	MOSHEIM	144,967	175,039	30,072
BAILEYTON	31,928	49,057	17,129	MOUNT JULIET	901,753	1,389,881	488,128
BEAN STATION	N/A	258,586	N/A	NEW MARKET	113,230	130,621	17,391
BEERSHEBA SPRINGS	54,149	53,799	(350)	NEW TAZEWEL L	182,584	296,170	113,586
BERRY HILL	97,506	98,808	1,302	OAK HILL	603,449	803,095	199,646
BLAINE	122,942	156,956	34,014	ORLINDA	50,977	57,788	6,811
BRADEN	32,340	26,886	(5,454)	ORME	13,431	12,063	(1,368)
BURLISON	36,301	44,435	8,134	PALMER	79,773	70,842	(8,931)
CARYVILLE	170,548	232,287	61,739	PARKERS CROSSROADS	18,435	27,670	9,235
CENTERTOWN	30,003	25,023	(4,980)	PARROTTSVILLE	13,890	27,350	13,460
CLARKSBURG	29,188	27,825	(1,363)	PEGRAM	155,917	215,806	59,889
COALMONT	73,136	92,913	19,777	PHILADELPHIA	44,840	53,892	9,052
COOPERTOWN	N/A	347,064	N/A	PLAINVIEW	115,030	181,571	66,541
CRAB ORCHARD	80,773	81,525	752	PLEASANT HILL	56,833	65,282	8,449
CROSS PLAINS	124,760	137,447	12,687	PLEASANT VIEW	N/A	291,674	N/A
CRUMP	184,362	148,688	(35,674)	POWELLS CROSSROADS	100,541	125,110	24,569
DOWELLTOWN	27,618	30,064	2,446	RAMER	31,326	36,084	4,758
DOYLE	31,562	51,192	19,630	ROCKFORD	68,277	115,978	47,701
EASTVIEW	51,182	60,123	8,941	RUTLEDGE	121,252	131,639	10,387
ENVILLE	20,833	22,376	1,543	SALTILLO	37,751	39,880	2,129
ETHRIDGE	53,012	55,260	2,248	SAMBURG	34,415	25,313	(9,102)
FARRAGUT	1,734,424	2,206,910	472,486	SAULSBURY	12,074	10,365	(1,709)
FINGER	24,789	34,381	9,592	SILERTON	9,283	5,837	(3,446)
FOREST HILLS	1,046,815	1,040,283	(6,532)	SLAYDEN	10,248	22,323	12,075
FRIENDSVILLE	83,153	90,159	7,006	SNEEDVILLE	133,446	123,834	(9,612)
GADSDEN	52,899	54,405	1,506	SPENCER	104,556	167,853	63,297
GARLAND	29,508	30,618	1,110	STANTONVILLE	24,179	31,922	7,743
GILT EDGE	40,836	47,706	6,870	SUNBRIGHT	52,247	59,270	7,023
GREENBACK	68,116	115,403	47,287	TAZEWELL	202,614	267,042	64,428
GRUETLI-LAAGER	164,467	181,633	17,166	TOWNSEND	37,410	80,628	43,218
GUYS	43,966	46,993	3,027	TUSCULUM STATION	201,415	200,972	(443)
HARROGATE	392,082	441,682	49,600	UNICOI	267,203	350,262	83,059
JACKSBORO	148,437	182,920	34,483	VIOLA	12,110	13,804	1,694
LAKELAND	199,865	691,355	491,490	WARTBURG	87,880	101,685	13,805
LAKEWOOD	184,534	228,620	44,086	WILLISTON	37,045	34,455	(2,590)
LOUISVILLE	152,611	219,535	66,924	WINFIELD	51,753	93,790	42,037
LUTTRELL	91,818	93,215	1,397	WOODLAND MILLS	36,761	38,072	1,311
MAYNARDVILLE	117,922	181,736	63,814	YORKVILLE	31,167	28,984	(2,183)
MEDON	26,206	26,835	629	TOTAL	6,165,037	8,284,408	2,119,371
MICHIE	63,258	66,116	2,858				

Source: Tennessee Department of Revenue

Appendix 2
Data Source Information

The source of data for this study is the "1997 Census of Governments" (COG 1997). The U.S. Census Bureau collects fiscal and employment data on city and county governments every five years. The majority of the data is self-reported and voluntary. The U.S. Census Bureau did use secondary sources to obtain data where necessary. Data from the 2002 Census of Governments has only recently been released (July 2004) and was not available for use during the analysis phase of this report. Overall, the COG 1997 data is complete, but in some cases cities failed to answer all survey questions. Nevertheless, it represents the most detailed source of city fiscal information available.

Appendix 3
Fiscal and Service Data for Cities Without Property Taxes
 (Column Descriptions on Page 30)

City	Population 1996	Services, Criteria 1	Services, Criteria 2	Expenditures	Federal Intergov Revenue	State Intergov Revenue	Local Intergov Revenue	Total Intergov Revenue	Other Revenue	Tax Revenue	Total Own-Source Revenue	Own-Source Revenue as Percent of Total Revenue	Total Revenue
ALLARDT	640	2	2	3,000	0	63,000	0	63,000	15,000	20,000	35,000	36%	98,000
ALTAMONT	719	3	1	93,000	0	106,000	0	106,000	144,000	0	144,000	58%	250,000
ATWOOD	1,119	4	3	247,000	63,000	97,000	63,000	223,000	24,000	63,000	87,000	28%	310,000
AUBURNTOWN	259	3	3	89,000	0	63,000	0	63,000	30,000	30,000	60,000	49%	123,000
BAILEYTON	311	3	2	90,000	0	30,000	69,000	99,000	13,000	0	13,000	12%	112,000
BEERSHEBA SPRINGS	607	3	1	46,000	0	58,000	0	58,000	9,000	0	9,000	13%	67,000
BERRY HILL	789	2	2	586,000	0	985,000	4,000	989,000	0	297,000	297,000	23%	1,286,000
BLAINE	1,394	5	3	335,000	14,000	291,000	0	305,000	8,000	57,000	65,000	18%	370,000
BRADEN	335	2	2	24,000	0	310,000	0	310,000	0	0	0	0%	310,000
BURLISON	429	3	2	30,000	0	38,000	8,000	46,000	4,000	0	4,000	8%	50,000
CARYVILLE	1,975	6	5	880,000	9,000	198,000	284,000	491,000	72,000	230,000	302,000	38%	793,000
CENTERTOWN	357	1	1	15,000	2,000	55,000	0	57,000	2,000	0	2,000	3%	59,000
CLARKSBURG	342	1	1	102,000	0	27,000	0	27,000	8,000	19,000	27,000	50%	54,000
COALMONT	844	1	1	29,000	0	20,000	59,000	79,000	0	0	0	0%	79,000
CRAB ORCHARD	1,031	1	1	113,000	0	109,000	62,000	171,000	1,000	4,000	5,000	3%	176,000
CROSS PLAINS	1,242	3	2	270,000	0	92,000	88,000	180,000	37,000	85,000	122,000	40%	302,000
CRUMP	2,300	4	1	211,000	0	187,000	44,000	231,000	27,000	0	27,000	10%	258,000
DOWELLTOWN	325	2	2	30,000	0	26,000	0	26,000	0	4,000	4,000	13%	30,000
DOYLE	374	3	2	36,000	0	73,000	10,000	83,000	19,000	0	19,000	19%	102,000
EASTVIEW	596	2	1	61,000	0	86,000	0	86,000	4,000	0	4,000	4%	90,000
ENVILLE	218	2	1	21,000	0	27,000	0	27,000	1,000	0	1,000	4%	28,000
ETHRIDGE	625	3	3	262,000	0	102,000	0	102,000	6,000	222,000	228,000	69%	330,000
FARRAGUT	16,223	1	1	2,298,000	0	1,728,000	1,584,000	3,312,000	261,000	694,000	955,000	22%	4,267,000
FINGER	290	5	2	51,000	0	26,000	16,000	42,000	9,000	18,000	27,000	39%	69,000
FOREST HILLS	4,573	1	1	380,000	0	220,000	66,000	286,000	0	0	0	0%	286,000
FRIENDSVILLE	950	4	3	144,000	0	29,000	0	29,000	48,000	33,000	81,000	74%	110,000
GADSDEN	540	4	1	63,000	0	53,000	0	53,000	23,000	20,000	43,000	45%	96,000

Cities Without Property Taxes: A Source of Inequity?

Appendix 3 (continued)
Fiscal and Service Data for Cities Without Property Taxes
 (Column Descriptions on Page 30)

City	Population 1996	Services, Criteria 1	Services, Criteria 2	Expenditures	Federal Intergov Revenue	State Intergov Revenue	Local Intergov Revenue	Total Intergov Revenue	Other Revenue	Tax Revenue	Total Own-Source Revenue	Own-Source Revenue as Percent of Total Revenue	Total Revenue
GARLAND	211	2	1	20,000	0	26,000	0	26,000	1,000	0	1,000	4%	27,000
GILT EDGE	502	2	2	37,000	0	40,000	17,000	57,000	21,000	1,000	22,000	28%	79,000
GREENBACK	667	1	1	75,000	0	59,000	0	59,000	6,000	18,000	24,000	29%	83,000
GRUETLI-LAAGER	1,910	4	2	293,000	0	321,000	0	321,000	66,000	0	66,000	17%	387,000
GUYS	545	5	2	45,000	0	47,000	8,000	55,000	1,000	10,000	11,000	17%	66,000
HARROGATE	4,200	4	1	469,000	0	233,000	0	233,000	6,000	437,000	443,000	66%	676,000
JACKSBORO	1,711	6	5	2,219,000	0	1,434,000	219,000	1,653,000	46,000	518,000	564,000	25%	2,217,000
LAKELAND	1,275	5	4	802,000	0	216,000	486,000	702,000	106,000	145,000	251,000	26%	953,000
LAKEWOOD	2,043	5	4	645,000	0	401,000	28,000	429,000	183,000	0	183,000	30%	612,000
LOUISVILLE	986	2	2	340,000	0	175,000	41,000	216,000	94,000	31,000	125,000	37%	341,000
LUTTRELL	913	3	1	124,000	0	144,000	1,000	145,000	2,000	30,000	32,000	18%	177,000
MAYNARDVILLE	1,453	6	5	627,000	0	139,000	125,000	264,000	86,000	213,000	299,000	53%	563,000
MEDON	162	2	2	33,000	0	36,000	0	36,000	0	0	0	0%	36,000
MICHIE	727	5	3	83,000	0	99,000	0	99,000	22,000	33,000	55,000	36%	154,000
MILLEDGEVILLE	296	3	2	32,000	0	25,000	0	25,000	5,000	15,000	20,000	44%	45,000
MINOR HILL	403	5	4	204,000	0	28,000	0	28,000	163,000	1,000	164,000	85%	192,000
MONTEAGLE	1,029	5	3	343,000	0	124,000	209,000	333,000	141,000	163,000	304,000	48%	637,000
MOSHEIM	1,491	5	3	504,000	0	145,000	245,000	390,000	75,000	67,000	142,000	27%	532,000
MOUNT JULIET	7,430	6	5	3,016,000	11,000	753,000	948,000	1,712,000	633,000	2,030,000	2,663,000	61%	4,375,000
NEW MARKET	1,285	6	4	658,000	0	108,000	189,000	297,000	45,000	157,000	202,000	40%	499,000
NEW TAZEVELL	2,031	4	4	813,000	29,000	529,000	667,000	1,225,000	90,000	7,000	97,000	7%	1,322,000
OAK HILL	4,407	2	2	1,196,000	0	881,000	155,000	1,036,000	463,000	66,000	529,000	34%	1,565,000
ORLINDA	543	4	2	290,000	0	50,000	36,000	86,000	21,000	62,000	83,000	49%	169,000
ORME	173	3	2	12,000	0	14,000	0	14,000	3,000	0	3,000	18%	17,000
PALMER	799	5	3	197,000	6,000	191,000	0	197,000	128,000	97,000	225,000	53%	422,000
PARKERS CROSSROADS	175	2	2	32,000	0	19,000	0	19,000	10,000	112,000	122,000	87%	141,000

Appendix 3 (continued)
Fiscal and Service Data for Cities Without Property Taxes
(Column Descriptions on Page 30)

City	Population 1996	Services, Criteria 1	Services, Criteria 2	Expenditures	Federal Intergov Revenue	State Intergov Revenue	Local Intergov Revenue	Total Intergov Revenue	Other Revenue	Tax Revenue	Total Own-Source Revenue	Own-Source Revenue as Percent of Total Revenue	Total Revenue
PARROTTSVILLE	127	2	1	38,000	0	156,000	1,000	157,000	4,000	12,000	16,000	9%	173,000
PEGRAM	1,755	3	3	122,000	0	206,000	0	206,000	0	82,000	82,000	28%	288,000
PHILADELPHIA	560	3	3	92,000	0	86,000	0	86,000	2,000	16,000	18,000	17%	104,000
PLAINVIEW	1,442	1	1	113,000	0	45,000	23,000	68,000	6,000	1,000	7,000	9%	75,000
PLEASANT HILL	575	2	2	81,000	0	65,000	19,000	84,000	2,000	21,000	23,000	21%	107,000
POWELLS CROSSROAD	1,196	3	1	159,000	0	261,000	16,000	277,000	22,000	0	22,000	7%	299,000
ROCKFORD	746	3	3	244,000	0	201,000	0	201,000	0	12,000	12,000	6%	213,000
RUTLEDGE	1,277	5	3	240,000	7,000	233,000	0	240,000	156,000	118,000	274,000	53%	514,000
SALTILLO	429	3	1			29,000		29,000	1,000	1,000	2,000	6%	31,000
SAMBURG	367	2	1	28,000	0	3,000	26,000	29,000	1,000	0	1,000	3%	30,000
SAULSBURY	115	2	1	17,000	0	3,000	8,000	11,000	0	15,000	15,000	58%	26,000
SILERTON	61	1	1	13,000	0	3,000	6,000	9,000	4,000	1,000	5,000	36%	14,000
SLAYDEN	127	1	1	3,000	0	3,000	0	3,000	0	0	0	0%	3,000
SNEEDVILLE	1,654	6	2	497,000	11,000	146,000	137,000	294,000	9,000	7,000	16,000	5%	310,000
SPENCER	1,171	4	3	352,000	0	287,000	0	287,000	17,000	238,000	255,000	47%	542,000
STANTONVILLE	280	4	2	21,000	0	24,000	0	24,000	6,000	3,000	9,000	27%	33,000
SUNBRIGHT	585	4	1	107,000	0	25,000	58,000	83,000	15,000	0	15,000	15%	98,000
TAZEWELL	2,314	4	3	442,000	172,000	202,000	39,000	413,000	72,000	273,000	345,000	46%	758,000
TOWNSEND	426	5	3	125,000	28,000	27,000	97,000	152,000	290,000	0	290,000	66%	442,000
TUSCULUM	2,172	5	1	300,000	0	57,000	0	57,000	87,000	35,000	122,000	68%	179,000
VIOLA	128	1	1	13,000	0	72,000	0	72,000	5,000	10,000	15,000	17%	87,000
WARTBURG	907	6	3	564,000	0	88,000	195,000	283,000	57,000	216,000	273,000	49%	556,000
WILLISTON	403	4	2	70,000	0	48,000	6,000	54,000	128,000	0	128,000	70%	182,000
WINFIELD	615	6	3	382,000	0	60,000	132,000	192,000	39,000	146,000	185,000	49%	377,000
WOODLAND MILLS	402	3	1	93,000	0	103,000	15,000	118,000	19,000	0	19,000	14%	137,000
YORKVILLE	370	3	1	32,000	0	33,000	0	33,000	4,000	23,000	27,000	45%	60,000
TOTAL	96,978			23,766,000	352,000	13,802,000	6,509,000	20,663,000	4,128,000	7,239,000	11,367,000		32,030,000

Cities Without Property Taxes: A Source of Inequity?

Appendix 3

Fiscal and Service Data for Cities Without Property Taxes

No data for Bean Station, Coopertown, Pleasant View, Ramer, and Unicoi.

Population 1996 from 1997 Census of Governments.

Services, Criterion 1: Number of services includes fire protection, police protection, parks and recreational facilities, sanitary sewage system/water service, solid waste disposal, and road and street construction and repair. Service measured by whether or not city reported spending any amount of money on the service.

Services, Criterion 2: Same services as Criteria 1 but service determined by whether or not city spent a per capita amount that was equal to or exceeded 50% of the state median per capita.

Expenditures: Total amount of money spent by city. Excludes spending on utilities.

Federal Intergovernmental Revenue: Amounts received directly from the Federal Government for use in performing specific functions, for general financial assistance, or as share of tax proceeds. Excludes utility revenue.

State Intergovernmental Revenue: Amounts received directly from state government including Federal aid passed through the state government and state aid channeled through intermediate local governments (e.g., counties). Excludes utility revenue.

Local Intergovernmental Revenue: Amounts received from local governments for use in performing specific functions, for general financial assistance, or as share of tax proceeds. Excludes utility revenue.

Total Intergovernmental Revenue=Sum of Federal Intergovernmental Revenue, State Intergovernmental Revenue & Local Intergovernmental Revenue.

Other Revenue: Miscellaneous revenue which does not fall under intergovernmental revenue or tax revenue, excluding current charges, utility revenue, and insurance trust revenue.

Tax Revenue: Defined as compulsory contributions exacted by a government for public purposes, other than from special assessments for capital improvements and from employee and employer contributions or "taxes" for retirement and social insurance systems. Comprises amounts received (including interest and penalties) from taxes (1) imposed by a government and collected by that government or (2) collected on its behalf by another government serving as its agent. Excludes all taxes specifically marked for education, highways and utilities.

Own-Source Revenue=Sum of Tax Revenue and Other Revenue

Own-Source Revenue as Percent of Total Revenue=Own-Source Revenue / Total Revenue

Total Revenue=Sum of Intergovernmental Revenue & Own-Source Revenue

Appendix 4 Population of Cities Without Property Taxes, 1996 and 2003

City	Population 1996	Population 2003	City	Population 1996	Population 2003
ALLARDT	640	642	MICHIE	727	647
ALTAMONT	719	1,136	MILLEDGEVILLE	296	287
ATWOOD	1,119	1,000	MINOR HILL	403	437
AUBURN TOWN	259	252	MONTEAGLE	1,029	1,238
BAILEYTON	311	504	MOSHEIM	1,491	1,754
BEAN STATION ¹	N/A	2,599	MOUNT JULIET	7,430	15,610
BEERSHEEBA SPRINGS	607	553	NEW MARKET	1,285	1,234
BERRY HILL	789	674	NEW TAZEWELL	2,031	2,871
BLAINE	1,394	1,585	OAK HILL	4,407	4,493
BRADEN	335	271	ORLINDA	543	594
BURLISON	429	453	ORME	173	124
CARYVILLE	1,975	2,258	PALMER	799	726
CENTERTOWN	357	257	PARKERS CROSSROADS	175	284
CLARKSBURG	342	285	PARROTTSVILLE	127	266
COALMONT	844	948	PEGRAM	1,755	2,146
COOPERTOWN ¹	N/A	3,510	PHILADELPHIA	560	533
CRAB ORCHARD	1,031	838	PLAINVIEW	1,442	1,866
CROSS PLAINS	1,242	1,381	PLEASANT HILL	575	544
CRUMP	2,300	1,521	PLEASANT VIEW ¹	N/A	2,934
DOWELLTOWN	325	302	POWELLS CROSSROADS	1,196	1,347
DOYLE	374	564	RAMER	357	354
EASTVIEW	596	618	ROCKFORD	746	852
ENVILLE	218	230	RUTLEDGE	976	1,187
ETHRIDGE	625	536	SALTILLO	429	408
FARRAGUT	16,223	17,720	SAMBURG	367	260
FINGER	290	350	SAULSBURY	115	99
FOREST HILLS	4,573	4,710	SILERTON	61	60
FRIENDSVILLE	950	890	SLAYDEN	127	227
GADSDEN	540	553	SNEEDVILLE	1,654	1,257
GARLAND	211	328	SPENCER	1,171	1,713
GILT EDGE	502	489	STANTONVILLE	280	312
GREENBACK	667	954	SUNBRIGHT	586	577
GRUETLI-LAAGER	1,910	1,867	TAZEWELL	2,314	2,165
GUYS	545	483	TOWNSEND	426	244
HARROGATE	4,200	4,425	TUSCULUM	2,172	2,010
JACKSBORO	1,711	1,887	UNICOI ²	N/A	3,519
LAKELAND	1,275	7,464	VIOLA	128	129
LAKEWOOD	2,043	2,341	WARTBURG	907	890
LOUISVILLE	986	2,066	WILLISTON	403	341
LUTTRELL	913	1,174	WINFIELD	615	911
MAYNARDVILLE	1,453	1,782	WOODLAND MILLS	402	385
MEDON	162	269	YORKVILLE	370	293

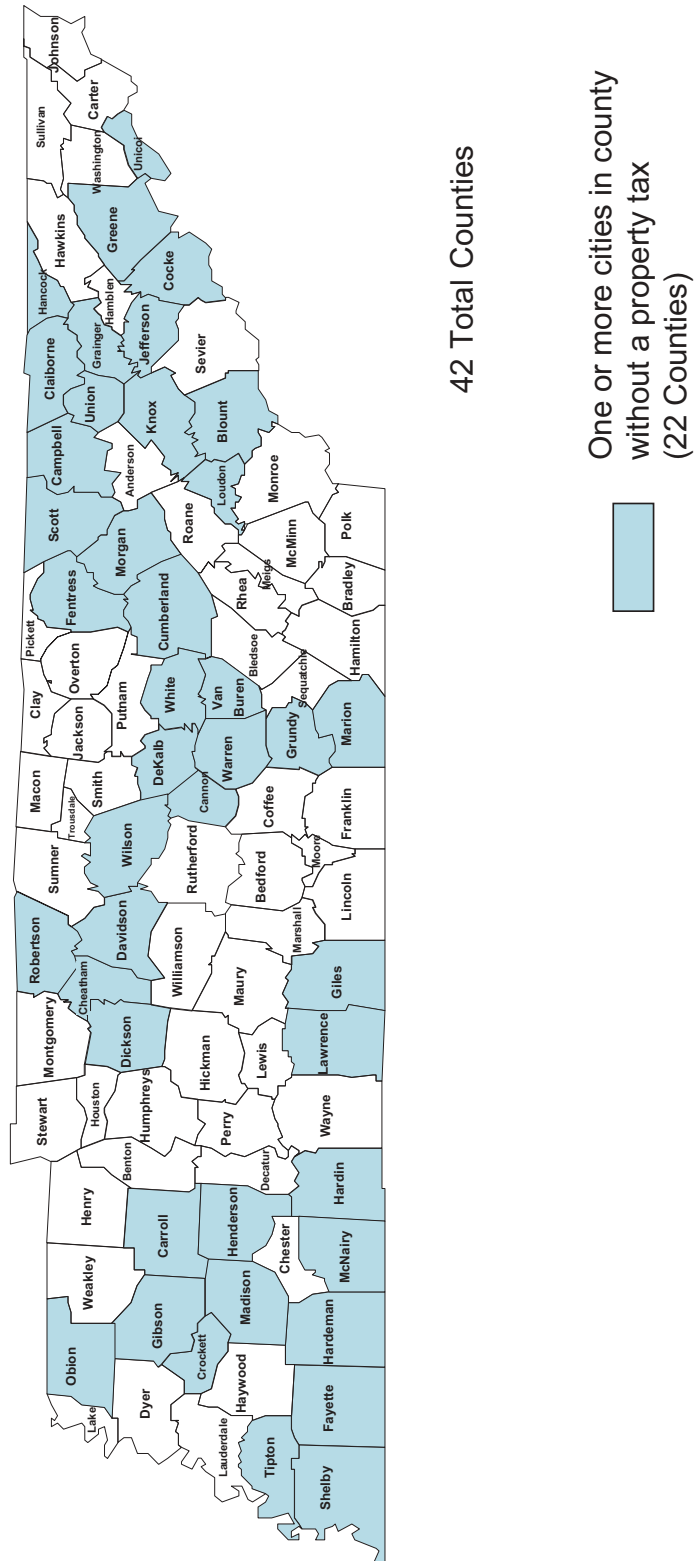
¹Incorporated in 1996, no population data available.

²No 1996 population data available

1996 Population from Census of Governments 1997

2003 Population from Department of Economic and Community Development

Appendix 5 Counties Containing Cities Without Property Taxes



Appendix 6

Description of Service Criteria

COG 1997 does not report directly on what services cities provide. It does, however, itemize city expenditure amounts. Using expenditure data, two independent criteria were used to determine whether or not a city provides a service.

- The first criteria (Criteria 1) evaluates whether or not cities reported any amount of spending on a service. If a city reported spending any amount of money on a service, they were counted as providing that service. Since every city is given funds that are earmarked for spending on streets, all cities were marked as having street service.
- The second criteria (Criteria 2) is more stringent and counted cities as providing service only if the city spent a certain amount of money on the service. While any dollar amount set to determine service is arbitrary, some dollar amount had to be a benchmark in order to evaluate city services. The benchmark established was whether or not a city spent at least 50% of the median state per capita on each service. Cities that did not report spending anything on a service were excluded because the COG 1997 database made no distinction between zero entries and missing entries. The analysis calculated a median per capita amount of spending for each service, for all cities. This produced median state per capita spending on each service. The median value was used as a measure instead of the average value to reduce the impact of extreme values found in large urban cities. Each city's per capita expenditure amount was then compared to the median state per capita value. If the city's expenditures equaled or exceeded 50% of the median state per capita amount the city was counted as providing the service. Since every city is given funds that are restricted to spending on streets, all cities were marked as having street service.



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Nancy Allen, Rutherford County Mayor
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Ken Yager, Roane County Mayor
Richard Venable, Sullivan County Mayor

Private Citizens

John Johnson, Morristown
Leslie Shechter, Nashville

Other Local Officials

Brent Greer, Tennessee Development District Association
Charles Cardwell, County Officials Association Tennessee



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