

Local Tax on Food and Food Ingredients

Certain Cities and Towns May Adopt Reduced Sales Tax Rate on Food and Food Ingredients

Pub. Ch. 917 (2024) creates a new "city tax rate" that may apply to the retail sale of food and food ingredients. "City tax rate" means a rate adopted in a city or town that is equal to the difference between the county tax rate and city tax rate, when the county tax rate is below 2.75%.

For example, Stewart County has a local sales tax rate of 2.25%. The City of Dover, which is located in Stewart County, has a local sales tax rate of 2.75%. Thus, Dover's "city tax rate" is .50%.

Pub. Ch. 917 (2024) authorizes a city or town that has a city tax rate to:

- Levy a tax on the retail sale of food and food ingredients within the jurisdiction of the city or town at a rate lower than the city tax rate levied for other privileges, goods, and services; or
- Exempt from the city tax rate the retail sale of food and food ingredients within the city or town.

Therefore, Dover may adopt a tax rate of .25% on the retail sale of food and food ingredients or fully

exempt food and food ingredients from its city tax rate. However, food and food ingredients purchased within Dover would still be subject to the 2.25% Stewart County sales tax rate and all other taxable products purchased in Dover would remain subject to the full 2.75% sales tax rate.

City Tax Rate Adoption Process

An incorporated city or town wishing to adopt a reduced tax rate on food and food ingredients or exempt food and food ingredients from the city tax rate must do so by ordinance of its governing body. The city or town must provide the Department of Revenue a certified copy of the adopted ordinance. The effective date of the reduced tax rate or exemption is the first calendar day of the month occurring at least 60 days after the Department receives the certified copy. The reduced tax rate or exemption applies only to tax periods beginning on or after October 1, 2024.

For More Information

Visit www.tn.gov/revenue. Click on Revenue Help to search for answers or to submit an information request to one of our agents.

References

Pub. Ch. 917 (2024).