



Department of  
**Revenue**

# 2016-2017 Annual Report

Tennessee Department of Revenue | Annual Report



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# I. Letter from the Commissioner

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The Department of Revenue serves as the state’s chief tax collection agency. It is responsible for administering the majority of Tennessee’s taxes, motor vehicle title and registration laws, and ensuring the collection of around 87 percent of the state’s total revenue.

The work of this department is vital to the State of Tennessee and to the people who live here. The billions of tax dollars collected each year go to fund the many important services that Tennesseans depend on, including roads, bridges, schools, health programs, public safety, and more.

As the Commissioner of the Department of Revenue, I can say that I am truly proud of this department and the service we provide to taxpayers across the state. The following report provides a snapshot of the Department’s endeavors and accomplishments during Fiscal Year 2016-2017, including the launch of a new integrated tax system and a new title and registration system.

As always, we are thankful for the opportunity to serve the citizens of Tennessee and we look forward to what Fiscal Year 2018 has in store.

A handwritten signature in cursive script that reads "David Gerregano". The ink is black and the signature is fluid and legible.

David Gerregano

## II. Mission, Vision and Values

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To provide a better understanding of what shapes the Department's work, the Department recently updated its mission, vision and values.

### ***Our Mission:***

The mission of the Department of Revenue is to fund public services through tax compliance and motor vehicle registration by providing education, fair enforcement, and excellent customer service.

### ***Our Vision:***

Our vision is to achieve the highest level of employee engagement and efficiency in revenue collection using forward-thinking leadership and innovative systems.

### ***Our Core Values:***

- **Integrity:** We are honest and ethical.
- **Respect:** We honor different perspectives and treat people with courtesy.
- **Responsiveness:** We react timely and positively to customers and co-workers.
- **Collaboration:** We work together to creatively solve problems and achieve shared goals.
- **Accountability:** We take responsibility for our actions.
- **Professionalism:** We perform to the highest standards of conduct.

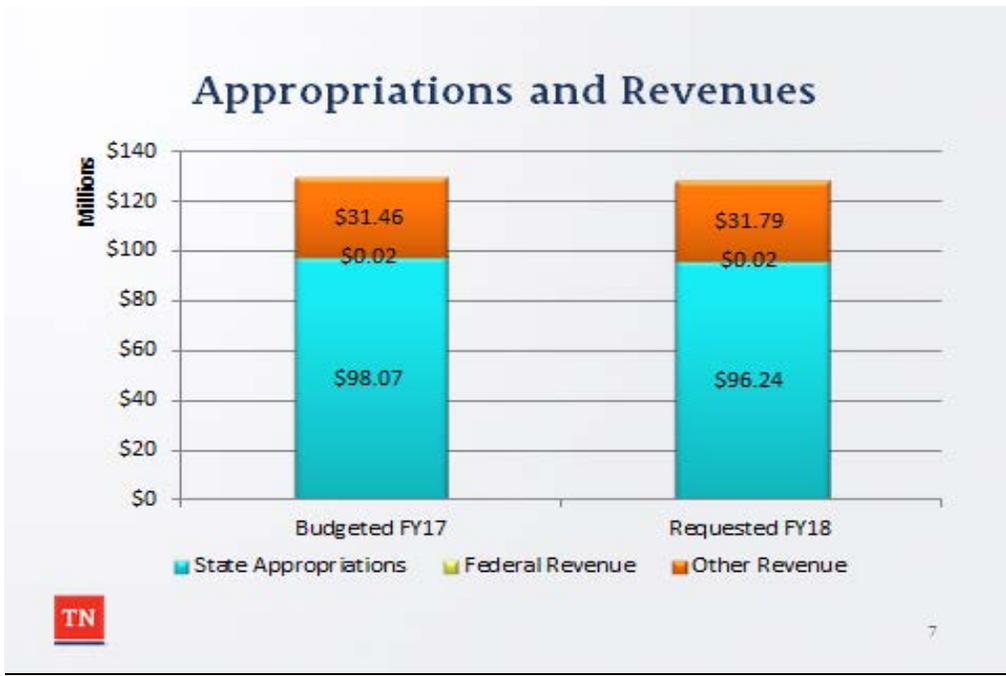
### III. About the Department

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The Tennessee Department of Revenue serves as the state’s primary tax-collecting agency, administering more than 25 different taxes and fees. In addition to tax collection and enforcement, the Department is responsible for Tennessee’s motor vehicle registration and title laws.

During the 2016-2017 fiscal year, the Department collected \$13.9 billion in state taxes and fees. The Department also collected more than \$2.7 billion in taxes for local, county, and municipal governments. More than 80 percent of tax returns were filed online and more than 90 percent of payments were received electronically.

The Department of Revenue has an annual budget of approximately \$128 million. About 25% of the Department’s budget comes from fees for services to local governments. A very small percentage is received through federal funding. The remaining 75% derives from state appropriations.



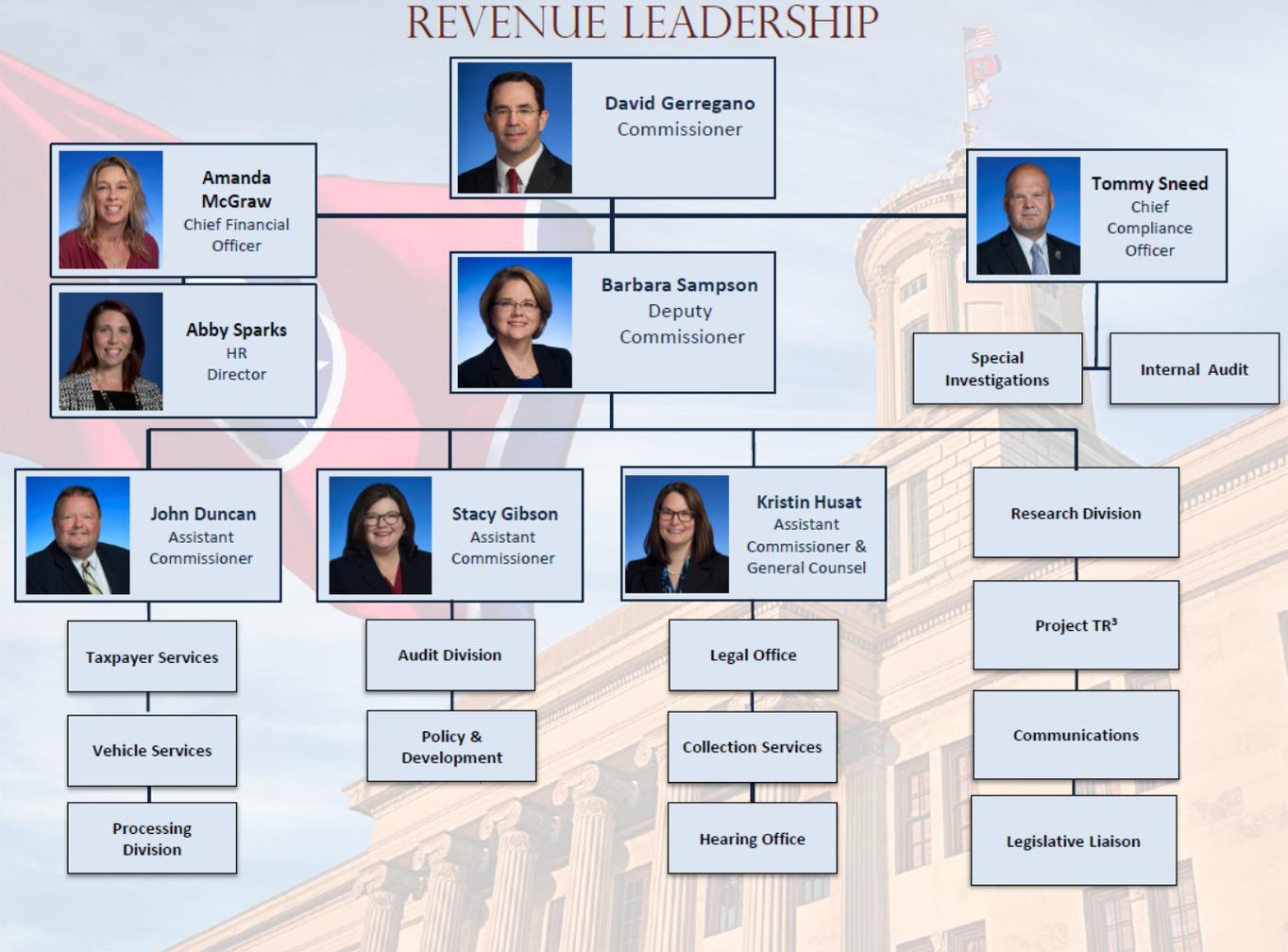
The Department's expenditures break down as:

- 53% for payroll expenses (salaries, longevity pay, overtime, and employee benefits)
- 19.5% for professional services from other state agencies (Department of Human Resources, Strategic Technology Solutions, etc.)
- 9% for computer related expenses (including the new integrated tax system)
- 18.5% for other operational costs (third party professional services, audit travel, supplies and materials, etc.)

***The Department's functions include:***

- Collection and apportionment of over \$16.7 billion in revenues annually
- Administration of Tennessee's motor vehicle title and registration laws
- Promotion of voluntary compliance with Tennessee tax laws through taxpayer education and customer service
- Fair and practicable administration of tax policy
- Compliance-focused audits of taxpayers across all tax types
- Collection of delinquent tax revenues, with a focus on promoting voluntary tax compliance
- Tobacco regulation and diligent enforcement (in conjunction with the Attorney General's Office)
- Investigation of criminal tax fraud cases and assisting district attorneys with criminal tax fraud prosecutions
- Motor vehicle anti-theft inspections and investigations
- Administration of Tennessee's motor vehicle insurance verification law
- Lockbox services for other state agencies

# IV. Organization of the Department



To learn more about Revenue’s executive leadership team, [read their bios here](#).

# V. Divisions

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More than 900 people work for the Department of Revenue to:

- educate and assist taxpayers,
- administer the state’s motor vehicle title and registration laws,
- conduct tax research and economic analysis,
- enforce tax laws fairly and consistently, and
- process returns and other documentation.

Read more about each one of Revenue’s divisions and what they do:

**Administration Division:** The Administration Division includes the Communications, Financial Control/Fiscal, Hearing, Human Resources, Internal Audit, Legal, Research, and Special Investigations offices:

**Communications Office:** The Communications Office creates and executes the Department’s communication’s strategy. This includes press releases, media inquiries, social media, video content, website information and written information mailed to taxpayers.

**Financial Control/Fiscal Office:** This office coordinates the department’s fiscal functions, including allocating tax revenues to local governments. The office develops and administers an annual budget, risk assessments, ensures appropriate segregation of duties, and monitors cash flow.

**Hearing Office:** The Hearing Office works with taxpayers through informal conferences to resolve disputes about tax assessments and tax refund claim denials. Hearing Office personnel are required to exercise independent judgment and to render decisions on individual issues based on the facts and the law.

**Human Resources Office:** The Human Resources Office serves as a resource to employees and management regarding policy and procedural interpretations. This office serves as a liaison with Department of Human Resources related transactions, compensation, payroll, benefits and employee relation issues.

**Internal Audit:** The Internal Audit Office conducts operational and financial audits to ensure compliance with federal, state and departmental regulations, as well as testing and consulting services regarding the safeguard of state and federal tax information.

**Legal Office:** The Legal Office is a team of attorneys who handle more than 100 tax litigation cases a year, draft tax rulings and legislation, and provide legal counsel on all matters involving the Department. The office ensures the state's best interests are protected while providing a high level of customer service.

**Research Division:** This division conducts tax research and economic analysis to assist decision makers in other areas of state and local government. The Research Section estimates potential revenue impacts of proposed legislation, helps develop state tax revenue forecasts, and evaluates comparative tax policies to determine fiscal effects.

**Special Investigations:** Revenue's Special Investigations (SI) Division's primary mission is to investigate internal and external attempts to corrupt tax administration; vehicle salvage and rebuilt titling schemes; civil and criminal violations relating to key tax commodities; and workplace harassment.

**Audit:** The Audit Division is the largest division in the Department of Revenue with more than 360 employees. There are eight field offices across Tennessee and six offices in cities across the United States. Employees perform field and office audits of all tax types and process refund claims and penalty waiver applications. The division reviews taxpayer records to determine compliance with state tax laws and educates taxpayers about tax requirements.

**Collection Services:** This division is charged with recovering taxes that are due but have not been remitted to the state. Employees work directly with delinquent businesses and individuals to collect overdue taxes and protect against efforts to avoid payment. The division may serve levies, seize and sell assets, as well as file a tax lien to protect Tennesseans' best interests. When a taxpayer is unable to pay their tax bill or needs more time to pay in full, this division can offer payment plans and negotiate compromise offers.

**Policy and Development:** The Tax Policy and Development Office (Tax Policy Office) reviews and analyzes legislation, regulations, rulings, website publications and tax forms to determine any impact changes may have on taxpayers and the Department. The policy team is responsible for research of complex tax issues, provides informal opinions in response to taxpayer requests and is the primary producer of important notices issued by the Department to provide guidance to taxpayers.

**Processing:** More than three million tax returns flow through the Processing Division each year. This division processes tax returns and payments, updates taxpayer accounts, and performs lockbox services for five other state agencies. The Department continues to promote electronic tax filing. During the 2016-2017 fiscal year, more than 80 percent of tax returns were filed online.

**Project TR<sup>3</sup>:** The Project TR<sup>3</sup> team is responsible for ensuring the Department's new tax system meets its business and information technology needs. This division is a mix of state employees and vendor consultants. The new tax system will roll out in four phases, with each phase covering a group of taxes. The first phase launched on March 5, 2017. The project will be completed by the spring of 2020.

**Taxpayer Services:** The Taxpayer Services Division is the customer service arm of the Department. This division focuses on answering taxpayer questions, educating taxpayers to improve compliance, as well as taxpayer registration, call center operations, and processing exemption applications. There are several taxpayer education opportunities held each year, such as free workshops for new business owners, seminars and webinars.

**Vehicle Services:** The Vehicle Services Division provides motor vehicle title and registration services to passenger and commercial motor vehicles, motorcycles, ATVs, trailers, and mobile homes. Working with 95 county clerks throughout the state, Vehicle Services registered about 6.3 million vehicles and issued nearly two million new titles in fiscal year 2017.

## VI. 2016-2017 Year in Review

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### ***Progress Report: Revenue Moves Forward With Two New Systems***

In an effort to increase efficiency and bring more capabilities to taxpayers and vehicle registrants alike, the Department of Revenue is replacing its current aging tax system and its vehicle title and registration system.

### **New Tax Filing Website Offers Modern Conveniences for Taxpayers**

Beginning in January 2016, the Department began a four-year project to replace its aging tax administration system. The new system, Tennessee Revenue Registration and Reporting System (also known as TR<sup>3</sup>), will reduce processing time by moving from a batch-intensive system to a transaction based real-time system. This new system will be more flexible, having the ability to adapt to IT changes for the next decade and beyond. Revenue is working with the vendor Fast Enterprises, who has successfully helped 23 other states implement their tax systems.

The new system will be implemented in four phases. The first phase went live in March 2017, with sales tax, liquor-by-the-drink tax, tobacco tax, and professional privilege tax. The second phase will go live in May 2018, and covers franchise and excise tax, Hall income tax, business tax, and IFTA and IRP filing. The final two phases will be completed in the spring of 2019 and 2020.

TR<sup>3</sup> includes a [new online filing website](#) called the Tennessee Taxpayer Access Point, or TNTAP. Taxpayers will go to the TNTAP website to file and pay tax returns. The website is equipped with modern and convenient functions to better serve taxpayers and keep their information safe and secure. Some of its features include:

- Secure, online access to accounts 24 hours a day, seven days a week
- The ability to view messages and updates from the Department of Revenue
- The ability to print business registration certificates

- The ability to print previous tax returns
- The option to change your address and make other account updates without having to call the Department of Revenue

Since March, nearly 149,000 taxpayers have created TNTAP logons for sales tax, liquor-by-the-drink tax, tobacco tax, and professional privilege tax. Beginning at the end of May 2018, franchise and excise, income, business, and IFTA/IRP taxes will be electronically filed using TNTAP.

## **New Title and Registration System Replaces Four-Decade Old System**

In addition to launching a new tax system, the Department of Revenue's Vehicle Services Division also launched a new Vehicle Title and Registration System (VTRS) in 2017. VTRS replaces a four-decade old Legacy mainframe system. It is designed to provide better financial accounting, enhanced inventory controls, and other auditing tools. VTRS will also provide information on demand with real time processing, increase efficiency, and provide stronger controls against potential fraud.

The Department signed a contract for VTRS with Business Information Solutions (BIS) in April 2015. BIS, which is based in Piney Flats, Tenn., has provided title and registration services to Tennessee's county clerks for many years. After an initial testing period where both systems ran concurrently, the Department designated VTRS the system of record on July 1, 2017.

## ***Electronic Insurance Verification System Aims to Increase Number of Insured Motorists on the Road***

The Department of Revenue's Electronic Insurance Verification System (EIVS) launched in January 2017. [The passage of the James Lee Atwood, Jr. Law in 2015](#) required the Department to develop and implement this program to ensure compliance with the state's Financial Responsibility Law.

The system works by matching Vehicle Identification Numbers (VINs) with automobile insurance policy information. Rather than checking for insurance coverage at the time of registration renewal, the system checks insurance coverage on a continual basis. If the system cannot match a vehicle's VIN to a corresponding policy, the Department sends a letter to the registrant, asking him or her to visit [www.driveinsuredtn.com](http://www.driveinsuredtn.com) and provide proof of insurance or another form of financial responsibility.

The Department will begin sending notices of fine and/or suspension to those registrants who fail to confirm coverage as a result of the initial inquiry letter. Those who do not comply may have to pay up to \$125 in fines and risk losing their vehicle registration and the right to drive their vehicle.

To find more about our insurance verification program, including frequently asked questions and other information, visit [www.driveinsuredtn.com](http://www.driveinsuredtn.com).

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## ***Out-of-State Dealer Registration Enforcement Delayed: Rule Not Being Enforced Pending Court Challenge; Dealers May Still Voluntarily Remit Sales Tax***

In January 2017, the Department issued a new rule to require out-of-state sellers who do business in Tennessee to register with the state and begin collecting sales tax before July 1, 2017 ([also known as Rule 129](#)). This rule is expected to help small local business owners more fairly compete with online retailers.

Rule 129 is being challenged in the Davidson County Chancery Court, and to avoid confusion and uncertainty in the marketplace, the Department agreed it will not enforce this rule while the challenge is pending.

As always, out-of-state dealers may voluntarily register and begin collecting and remitting sales taxes.

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## ***Business Outreach & Tax Education***

### **Revenue Offers Many Taxpayer Education Opportunities for Businesses**

Many Tennessee business owners rely on the Department of Revenue's tax education programs to ensure their business is compliant with state taxes. Here are a few tax education and business outreach programs we offer:

#### **Free Tax Workshops for New Business Owners**

The Tennessee Department of Revenue [sponsors free tax workshops](#) for new businesses/business owners, designed to assist those encountering business-related taxes for the first time. These sessions normally include information about:

- business tax
- sales and use tax
- online filing
- the delinquent tax collection process



## Now Offering Webinars! Watch Material Online at Your Own Convenience

In May 2017, the Department of Revenue hosted its first new business tax workshop webinar, which is now posted on our website in the “Doing Business” section. It covers the same topics as an in-person tax workshop and can be viewed at the comfort of your own home, on your own time. The Department now offers [webinars on additional topics](#).

## ***Business Tax Seminars for Continuing Education Credits:***

The Department of Revenue co-sponsors the business tax seminars with Tennessee universities to teach the latest tax information on sales and use tax, business tax, franchise and excise tax, Hall income tax, tangible personal property tax, unemployment tax and unclaimed property.

At these seminars, you can:

- learn about legislative changes and recent court rulings
- hear authoritative tax specialists
- ask questions specific to your situation
- share business problems and solutions with peers

You may also receive Continuing Education Credits for these seminars. [A list of all seminars is available here.](#)

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## ***Vehicle Title & Registration: Most Popular Specialty Plates***

The State of Tennessee offers more than 100 types of license plates to residents registering a private motor vehicle. These specialty and other types of license plates are available at county clerk offices around the state.

Below is more information about each of the 10 most popular license plates in fiscal year 2017. Plates are listed in order of the number of plates sold. Specialty plates require a \$61.50 annual fee; \$35 of that fee is allocated to the Tennessee Arts Commission, the plate's respective beneficiary and the Highway Fund.

## 2017 Most Popular Specialty Plates

### 1. Friends of the Smokies

- Plates Sold: 11,523
- Proceeds Benefit: National Park Service's care of the Great Smoky Mountains National Park.
- Amount Allocated to Beneficiary: \$360,103.48



### 2. American Eagle Foundation

- Plates Sold: 11,436
- Proceeds Benefit: American Eagle Foundation's efforts to preserve the American Bald Eagle and its habitat.
- Amount Allocated to Beneficiary: \$178,474.12



### 3. Agriculture

- Plates sold: 10,613
- Proceeds Benefit: Agriculture education and awareness programs of the Department of Agriculture.
- Amount Allocated to Beneficiary: \$331,550.12



### 4. Watchable Wildlife

- Plates Sold: 10,160
- Proceeds Benefit: Watchable Wildlife Endowment Fund to preserve non-game and endangered wildlife species.
- Amount Allocated to Beneficiary: \$158,699.20



## 5. Driving to a Cure (Breast Cancer Awareness)

- Plates Sold: 8,961
- Proceeds Benefit: The Susan G. Komen Foundation
- Amount Allocated to Beneficiary: \$135,73.42



## 6. Animal Friendly

- Plates Sold: 7,541
- Proceeds Benefit: Animal Population Control Endowment Fund
- Amount Allocated to Beneficiary: \$117,790.42



## 7. St. Jude Children's Research Hospital

- Plates Sold: 7,164
- Proceeds Benefit: A special fund used for research into the causes and treatment of cancer-related illnesses in children at hospitals in Tennessee with such treatment and research as their principal mission.
- Amount Allocated to Beneficiary: \$223,803.36



## 8. Choose Life

- Plates Sold: 5,956
- Proceeds Benefit: New Life Resources for counseling and financial assistance for pregnant women in Tennessee; the coordination of statewide awareness campaigns and a toll-free helpline; and reimbursement of social service providers who prepare adoptions for at-risk women and families.
- Amount Allocated to Beneficiary: \$93,032.72



## 9. Tennessee Titans

- Plates Sold: 6,783
- Proceeds Benefit: Titans Foundation, which in turn distributes funds equally to Boys and Girls Club of Tennessee, Boy Scouts of Tennessee, Camp Discovery, Fisk University Scholarship Fund, Girl Scouts of Tennessee, Jason Foundation, Monroe Carell Jr. Children's Hospital at Vanderbilt, St. Jude Children's Research Hospital, Saint Thomas Midtown Maternity/Birthing Center, and the Tennessee State University Scholarship Fund.
- Amount Allocated to Beneficiary: \$84,347.68



## 10. Memphis Grizzlies

- Plates Sold: 4,894
- Proceeds Benefit: Memphis Grizzlies Charitable Foundation.
- Amount Allocated to Beneficiary: \$76,444.28



## VII. 2017 Legislative Changes of Note

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Each year, the Tennessee General Assembly approves a number of bills that impact both the Department of Revenue and taxpayers across the state. A detailed list of 2017's legislative summaries can be found on our website. Below are some of the highlights and key changes:

### ***IMPROVE Act***

The [IMPROVE Act](#) stands for "Improving Manufacturing, Public Roads and Opportunities for a Vibrant Economy." It is a multifaceted piece of legislation designed to address the state's transportation funding needs while encouraging manufacturers to locate, expand, and hire in Tennessee.

### **Tax changes implemented under the IMPROVE Act**

**State Sales Tax on Food:** State sales tax on food will be cut from five percent to four percent beginning July 1, 2017.



**Franchise and Excise Tax:** For tax years beginning on or after January 1, 2017, a qualifying Tennessee manufacturer doing business both in-state and out-of-state may elect to apportion its net earnings and net worth to Tennessee based on a single sales factor.

In order to qualify for the single sales factor option, more than 50% of a taxpayer's revenue from its activities in Tennessee must be from fabricating or processing tangible personal property for resale and consumption off the premises. Once made, the election will remain in effect for a minimum of five years.

**Hall Income Tax:** The IMPROVE Act includes a plan to phase out the Hall income tax over the next five years. The applicable tax rate for each year is as follows:

- 4% for tax years beginning January 1, 2017
- 3% for tax years beginning January 1, 2018
- 2% for tax years beginning January 1, 2019
- 1% for tax years beginning January 1, 2020
- Repeal beginning January 1, 2021

**Vehicle Registration Fee:** The cost to register a vehicle in Tennessee will increase beginning July 1, 2017.

- The registration fee for passenger motor vehicles will be increased by \$5
- The registration fee for commercial motor vehicles for transporting passengers for hire (buses, taxis) will be increased by \$10
- The registration fee for commercial and freight motor vehicles (semis, tractor trailers) will be increased by \$20

**Electric Vehicle Registration Fee:** There will be a new registration fee of \$100 for electric vehicles beginning July 1, 2017. This fee will be in addition to the standard registration fee.

**Gas Tax:** The state's tax on gasoline will increase by six cents over the next three years. Gasoline includes gasoline, ethanol, methanol, E-85, M-85 and A-55.

- From \$0.20 to \$0.24 from July 1, 2017 to June 30, 2018
- From \$0.24 to \$0.25 from July 1, 2018 to June 30, 2019
- From \$0.25 to \$0.26 from July 1, 2019 and after



**Diesel Tax:** The state's tax on diesel fuel will increase by 10 cents over the next three years. Diesel includes special diesel and biodiesel.

- From \$0.17 to \$0.21 from July 1, 2017 to June 30, 2018
- From \$0.21 to \$0.24 from July 1, 2018 to June 30, 2019
- From \$0.24 to \$0.27 from July 1, 2019 and after

Local governments will receive a portion of the gas and diesel tax increases to fund roads.

**Compressed Natural Gas and Liquefied Gas:** Compressed natural gas tax will increase by eight cents over the next three years.

- From \$0.13 to \$0.16 from July 1, 2017 to June 30, 2018
- From \$0.16 to \$0.18 from July 1, 2018 to June 30, 2019
- From \$0.18 to \$0.21 from July 1, 2019 and after

Liquefied gas tax will increase by eight cents over the next three years.

- From \$0.14 to \$0.17 from July 1, 2017 to June 30, 2018
- From \$0.17 to \$0.19 from July 1, 2018 to June 30, 2019
- From \$0.19 to \$0.22 from July 1, 2019 and after

## ***Annualized Estimated Payments***

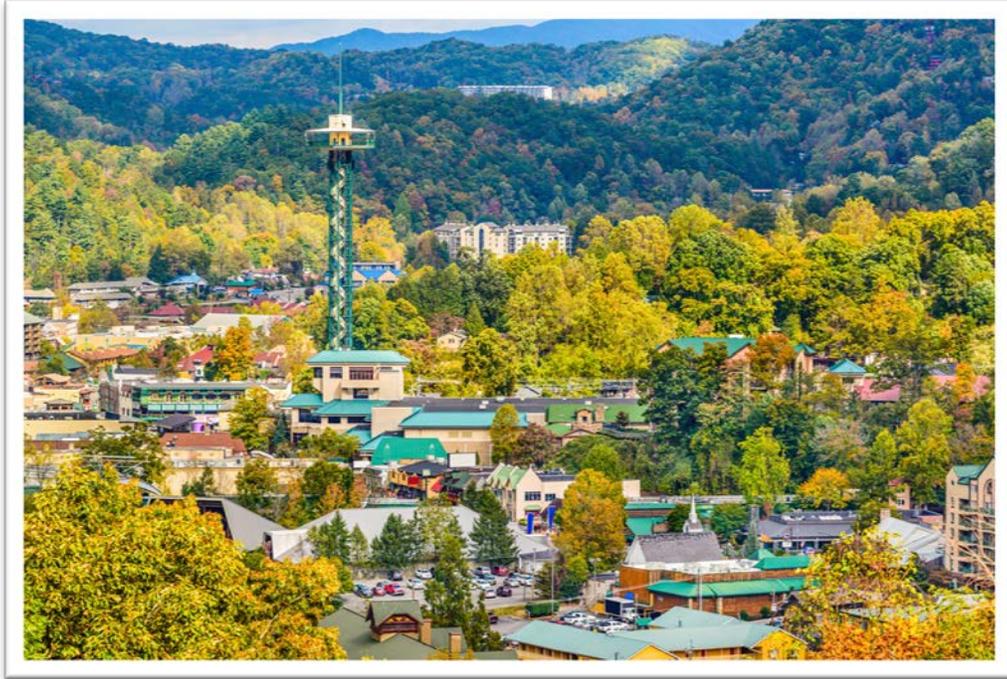
For tax years beginning on or after January 1, 2017, franchise and excise taxpayers will have the option of calculating their quarterly estimated payments using an annualized income method, taking into account realized revenue throughout the year. [Read the Important Notice here.](#)

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## ***Tennessee Broadband Accessibility Act***

[Public Chapter 228](#), which became effective April 24, 2017, creates a franchise and excise tax credit equal to six percent of the purchase price of qualified broadband internet access equipment. The act defines this equipment to mean new equipment placed into service by a service provider to provide broadband internet access service at certain minimum download speeds to locations in a Tier 3 or Tier 4 enhancement county. The total amount of credits allowed to all taxpayers per fiscal year is \$5,000,000. The act details an application process. Applications are due to the Department by October 15<sup>th</sup> for equipment put into service during the prior calendar year. The Department has until December 15<sup>th</sup> to notify businesses of the amount of credit they will receive. The act applies to qualified broadband internet access equipment placed into service on or after the effective date.

## ***Sales Tax Relief for Those that Lost Homes in 2016 Sevier County Wildfires***



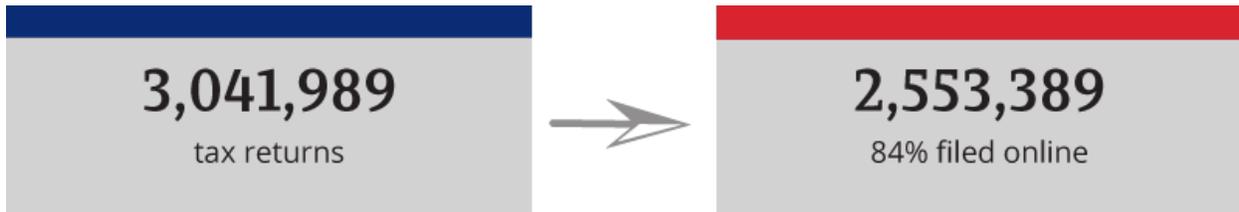
[Public Chapter 390](#) expands Tennessee's natural disaster sales tax refund provision to individuals whose secondary residence was damaged or destroyed because of the Sevier County wildfires in late 2016. The public chapter increases the maximum amount of Tennessee sales tax that can be refunded from \$2,500 to \$3,500. The refund is for sales tax paid on eligible items purchased to replace or repair items used in the individual's primary and/or secondary residence that was damaged or destroyed by the wildfires.

## VIII. Annual Accomplishments

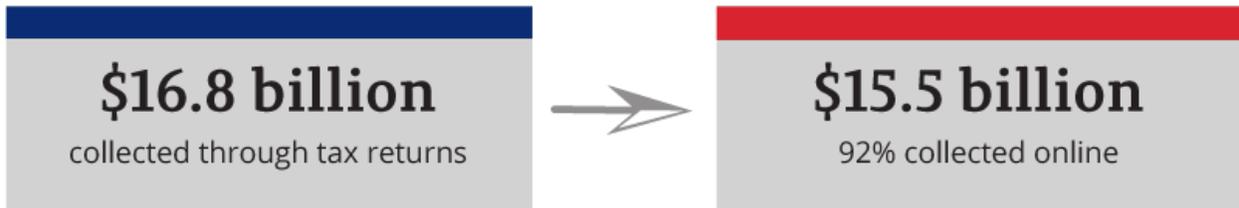
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### *Here's an Overview of What the Department Has Done in the Past Year:*

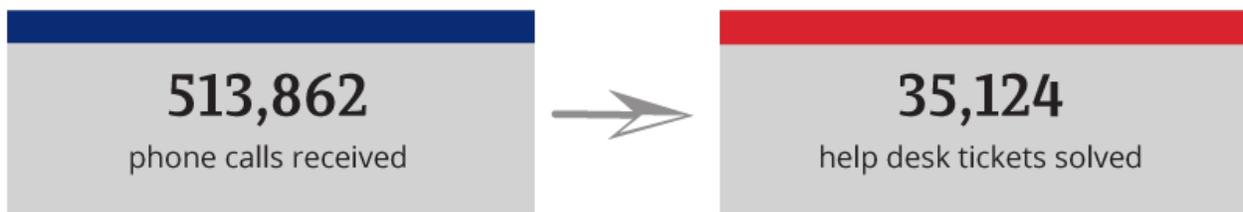
Throughout the 2016-2017 FY the Department of Revenue processed **3,041,989** tax returns. **2,553,389** (84 percent) were filed online.



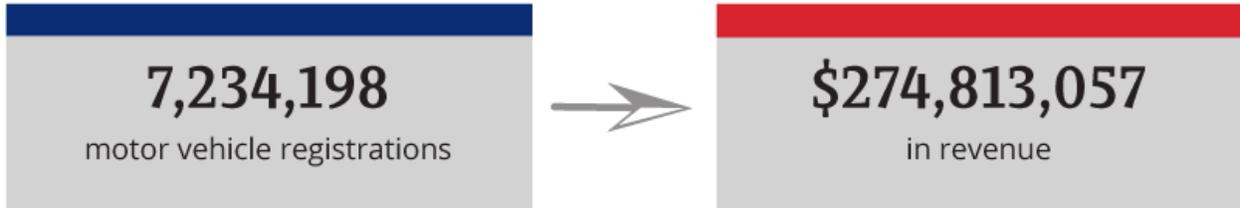
The Department collected nearly **\$16.8 billion dollars** through those tax returns. Nearly **\$15.5 billion** (92 percent) was collected online.



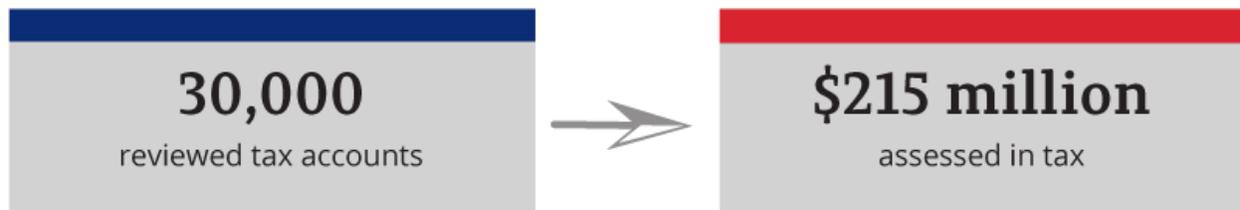
Taxpayer Services answered **513,862** phone calls and solved **35,124** online help questions.



The Department processed **7,234,198** motor vehicle registrations bringing in **\$274,813,057** in revenue.



The Audit Division reviewed almost **30,000** tax accounts and assessed approximately **\$215 million** in tax.



## IX. Tax Data

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The Department of Revenue collects more than 25 state taxes and fees. Here is how that works to make up the State of Tennessee's revenues:

### State Revenue Sources:

<b>Tax Class</b>	<b>FY16 Collections</b>	<b>FY17 Collections</b>	<b>% Change</b>
Sales and Use	\$8,228,183,371.80	\$8,543,745,740.22	3.84%
Franchise & Excise	\$2,312,023,105.50	\$2,597,428,012.18	12.34%
Fuel Taxes <sup>1</sup>	\$897,607,932.96	\$915,858,195.66	2.03%
Privilege	\$379,328,853.61	\$383,006,911.47	0.97%
TVA	\$349,080,971.22	\$342,808,914.91	-1.80%
Motor Vehicle Taxes <sup>2</sup>	\$296,641,180.35	\$300,643,236.07	1.35%
Alcohol & Tobacco Taxes <sup>3</sup>	\$439,545,775.66	\$445,540,575.56	1.36%
Income	\$323,951,987.37	\$249,976,967.76	-22.84%
Business	\$154,341,324.05	\$172,507,813.15	11.77%
Other <sup>4</sup>	\$89,519,918.40	\$42,987,116.60	-51.98%
<b>Total</b>	<b>\$13,470,224,420.92</b>	<b>\$13,994,503,483.58</b>	<b>3.89%</b>

<sup>1</sup>Gasoline, Motor Fuel, Petroleum Special

<sup>2</sup>Motor Vehicle Registration, Motor Vehicle Title

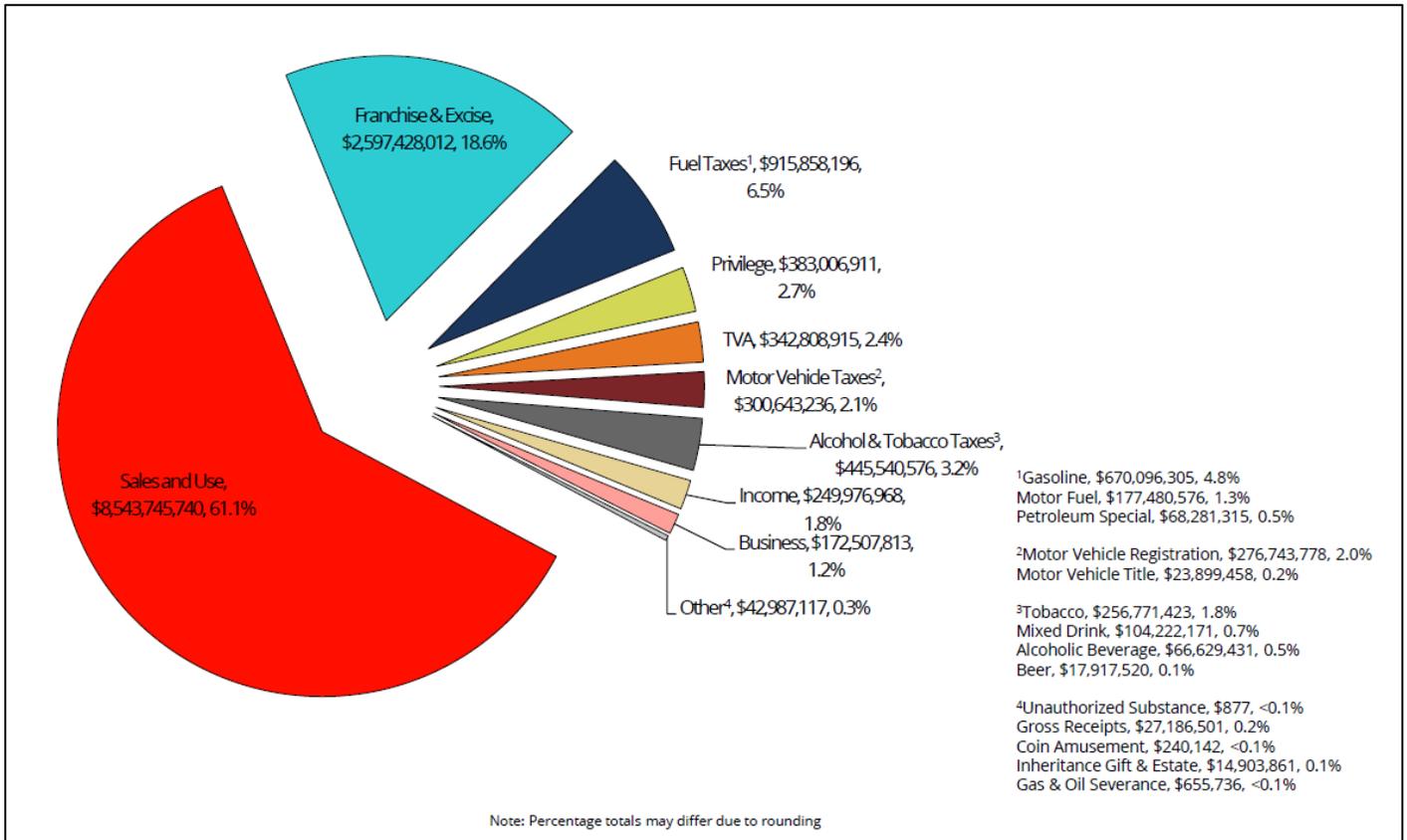
<sup>3</sup>Tobacco, Mixed Drink, Alcoholic Beverage, Beer

<sup>4</sup>Unauthorized Substance, Gross Receipts, Coin Amusement, Inheritance Gift & Estate, Gas & Oil Severance

### Local Revenue Sources:

<b>Tax Class</b>	<b>FY16 Collections</b>	<b>FY17 Collections</b>	<b>% Change</b>
Local Sales Tax	2,434,118,076.82	2,523,570,648.18	3.67%
Local Business Tax	192,794,137.32	203,960,647.74	5.79%
Local Business Tax Fees	19,993,713.18	20,979,979.21	4.93%
Mineral Tax	5,303,287.54	5,490,448.33	3.53%
Coal Severance	801,723.48	604,705.81	-24.57%
<b>Total</b>	<b>2,653,010,938.34</b>	<b>2,754,606,429.27</b>	<b>3.83%</b>

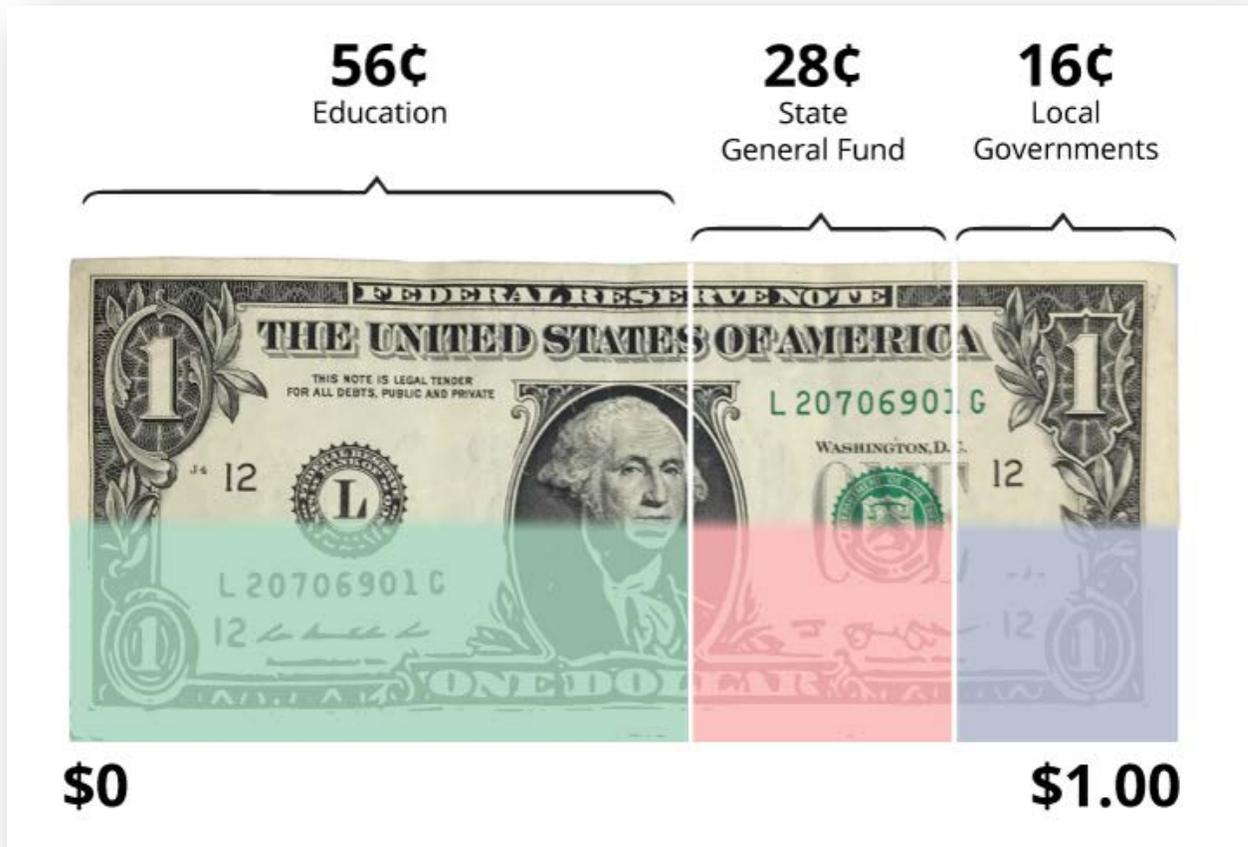
## Breakdown of State Revenue Sources:



- **Two taxes (sales and use tax and franchise and excise tax)** account for more than 78% of total collections
- Tennessee's **top five taxes** account for more than 88% of total collections.
- Tennessee's **top ten taxes** account for more than 97% of total collections.

## Where the Money Goes

### How Each Sales Tax dollar is spent:



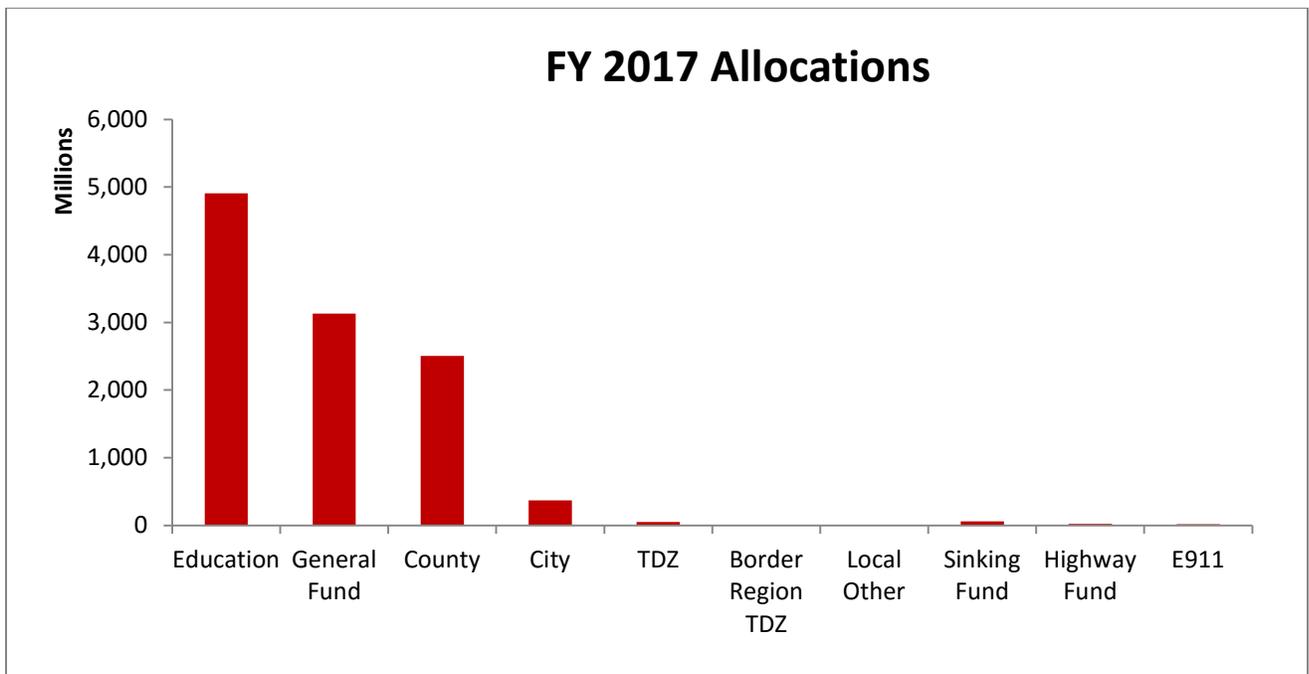
\*Education portion includes state sales tax and local sales tax collections combined.

## *Here's a Breakdown of How Money Is Allocated for Each Tax*

### Sales and Use Tax:

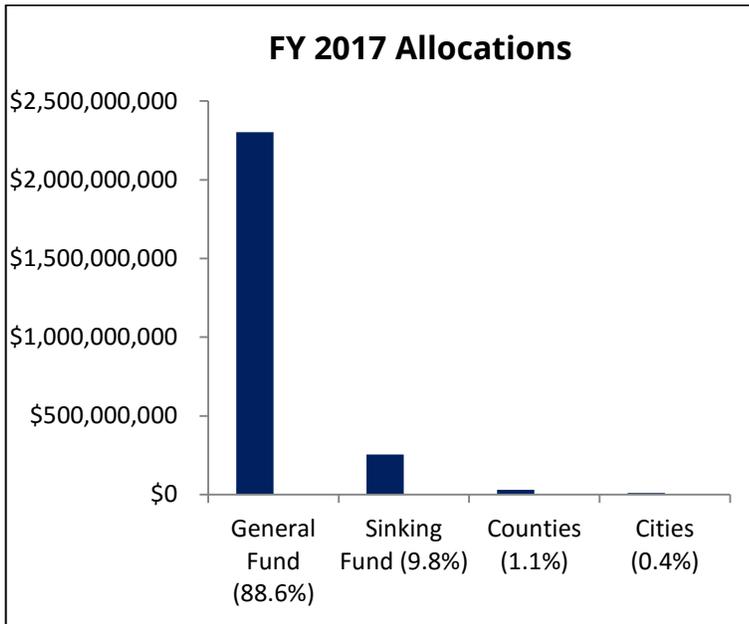
#### FY 2017 State and Local Allocations

<b>Fund</b>	<b>Allocation</b>
Education	\$4,908,024,495
General Fund	\$3,128,914,260
Local:	
County	\$1,268,129,028
Education	\$1,234,792,755
City	\$369,418,113
Tourist Development Zone	\$52,706,423
Border Region TDZ	\$5,089,670
Other	\$1,911,434
Sinking Fund	\$60,506,207
Highway Fund	\$21,103,435
E911	\$16,720,568
<b>Total:</b>	<b>\$11,067,316,388</b>



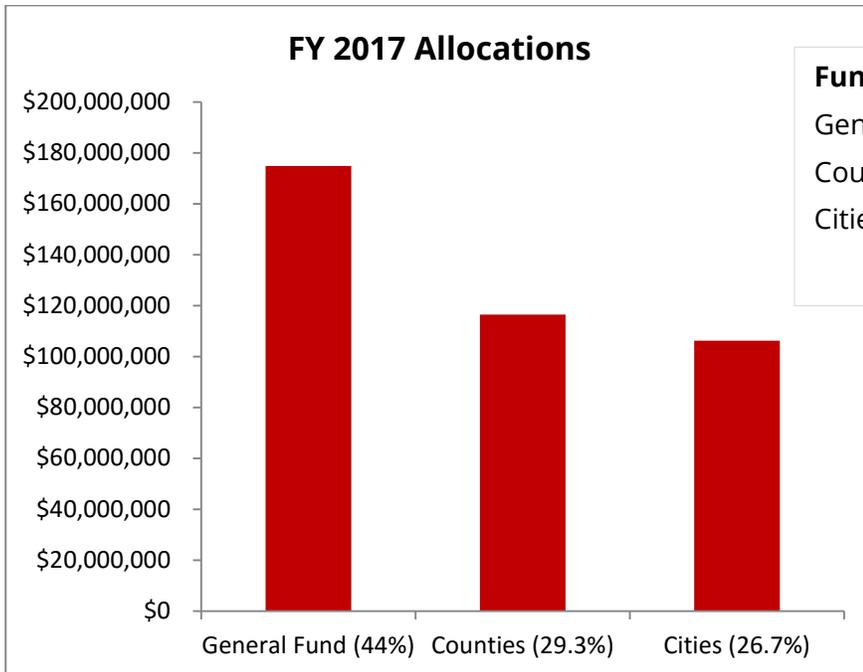
\*Total may differ due to rounding

## Franchise and Excise Tax:



<b>Fund</b>	<b>Allocation</b>
General Fund	\$2,302,509,023
Sinking Fund	\$255,100,000
Counties	\$29,637,638
Cities	\$10,181,351
<b>Total</b>	<b>\$2,597,428,012</b>

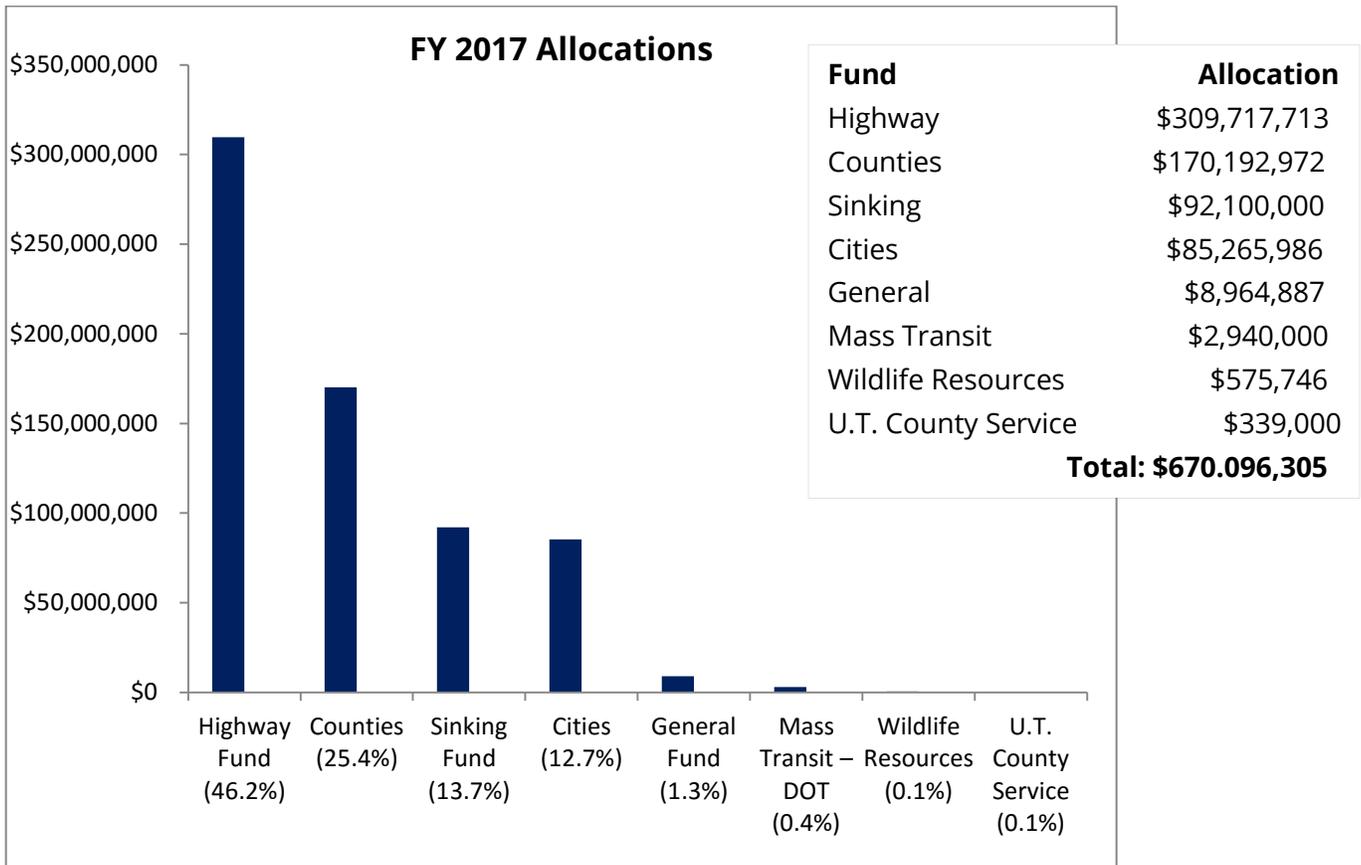
## Business Tax:



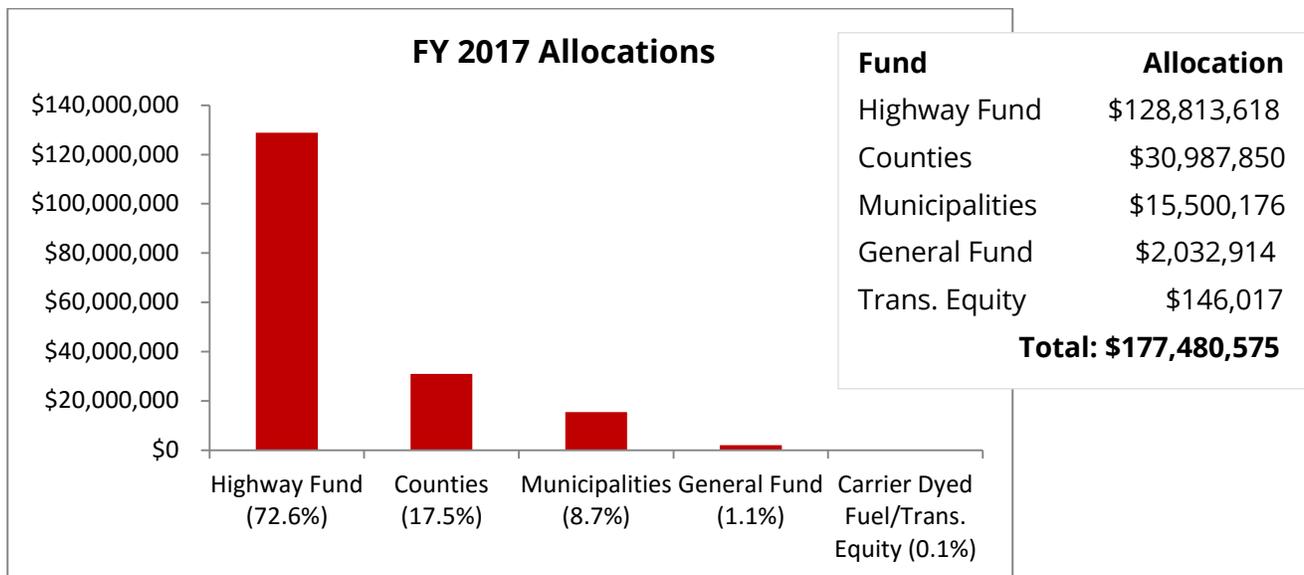
<b>Fund</b>	<b>Allocation</b>
General Fund	\$174,802,370
Counties	\$116,408,684
Cities	\$106,237,386
<b>Total</b>	<b>\$397,448,440</b>

\*Total may differ due to rounding

## Gasoline Tax:



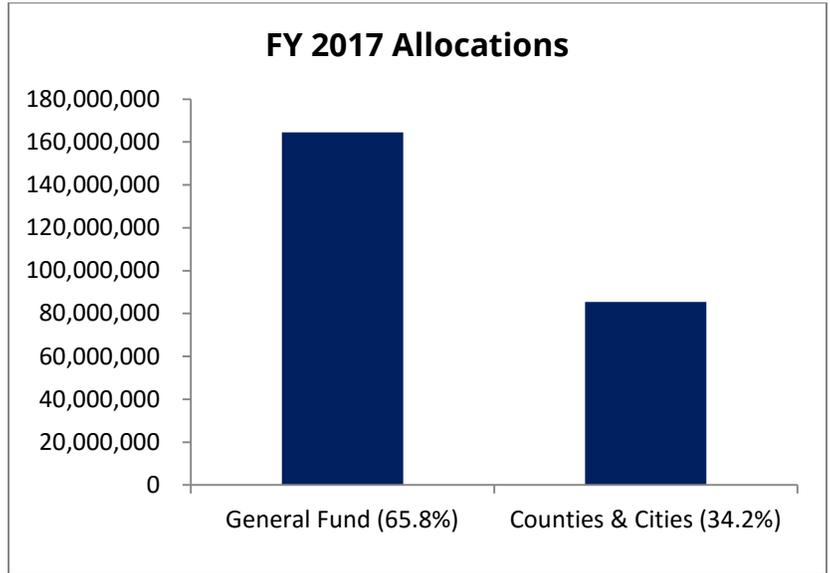
## Motor Fuel (Diesel) Tax:



\*Total may differ due to rounding

## Hall Income Tax:

Fund	Allocation
General Fund	\$164,586,446
Counties & Cities	\$85,390,522
<b>Total: \$249,976,968</b>	



## Privilege Tax:

<b>Litigation Fees and Tax</b>	<b>\$15,577,083</b>
TBI Drug Chemistry Unit Drug Testing Fund	\$3,637,681
TBI Toxicology Unit Intoxicant Testing Fund	\$2,907,631
General Fund	\$1,900,892
General Fund for TBI	\$1,486,720
Dept. of Health Alcohol and Drug Treatment Fund	\$1,484,504
Dept. of Health Drug Treatment Program	\$1,251,537
Critical Injury Compensation	\$1,137,780
Victim Notification Fund	\$739,527
Municipal Training Education	\$416,363
Judicial Commissioners Association of TN for Education	\$301,012
Drug Court Resources Fund	\$138,203
Sexual Assault Program	\$60,372
Family Violence Shelters	\$29,650
Traumatic Brain Injury Program	\$29,423
Human Trafficking	\$31,400
Veteran Drug Court	\$18,637
Domestic Violence Fund	\$5,742

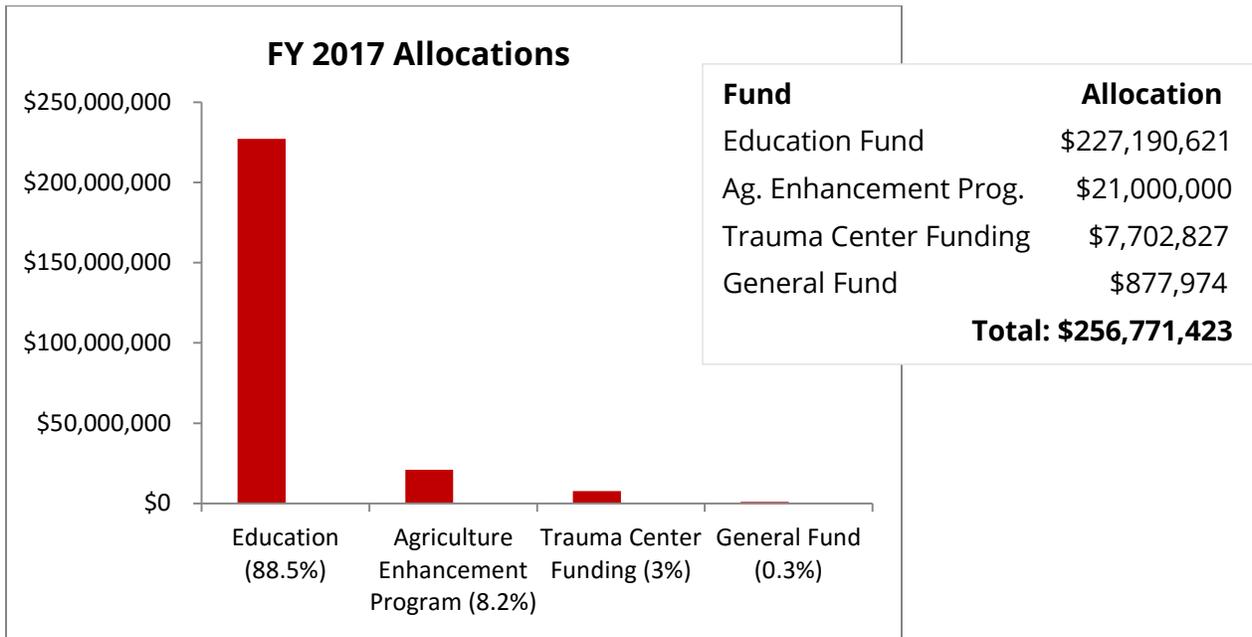
\*Total may differ due to rounding

## Privilege Tax:

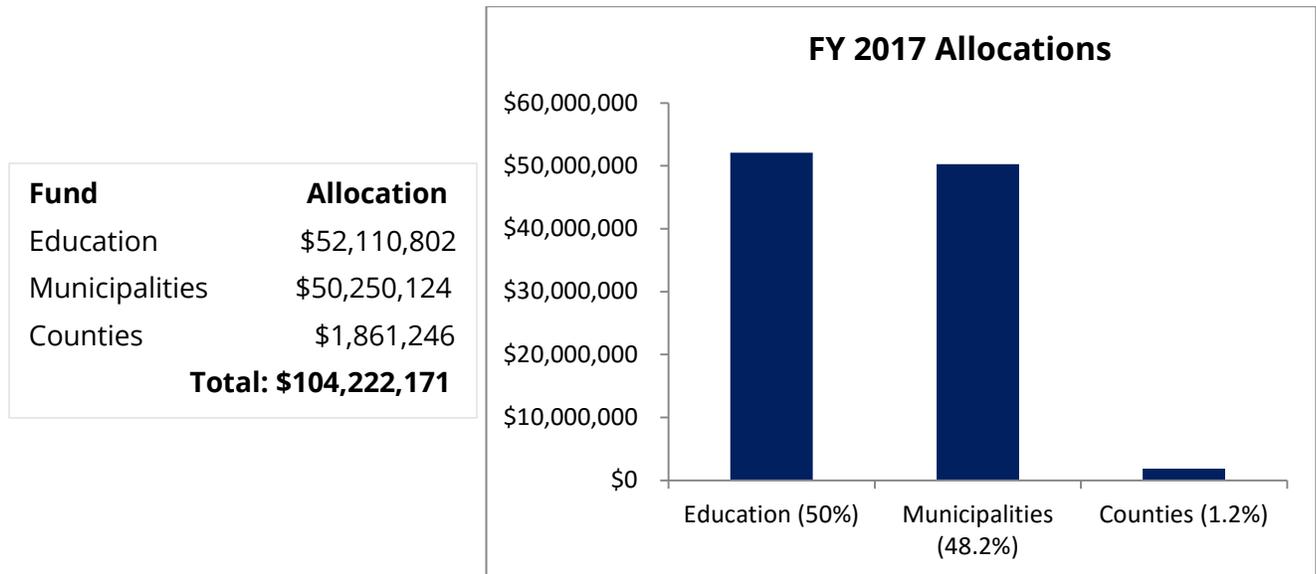
<b>Professional Privilege Tax</b>	<b>\$88,059,214</b>
General Fund	\$88,059,214
<b>Marriage License Fee</b>	<b>\$3,015,980</b>
General Fund	\$833,495
Tennessee Disability Coalition	\$745,755
Child Abuse Prevention	\$545,621
Domestic Violence Services	\$272,810
Parenting Fund	\$254,696
Tennessee Alliance of Boys & Girls Clubs	\$145,571
TN Chapter of the National Association of Social Workers	\$109,124
Weems Academy for Foster Care Children	\$63,510
Tennessee Court Appointed Special Advocates Assoc. (CASA)	\$45,395
<b>Bail Bond Tax</b>	<b>\$1,801,793</b>
Civil Legal Representation Fund	\$1,729,721
Bail Bonds Continuing Education Class	\$72,071
<b>Realty Taxes</b>	<b>\$236,169,144</b>
General Fund	\$160,033,976
Housing	\$34,951,721
Wetlands	\$14,266,491
Local Park Land	\$7,681,948
Stand Land Acquisition	\$6,584,527
Agriculture Resources Conservation	\$6,584,527
County Official Retirement	\$6,065,952
<b>Tire and Used Oil Taxes</b>	<b>\$20,692,227</b>
General Fund	\$12,067,305
County Tire Payments	\$4,820,806
Solid Waste Management ECD Tire	\$1,687,282
Tire Environmental Fund	\$1,175,833
Used Oil Collection Fund	\$940,999
<b>Fantasy Sport Tax</b>	<b>\$241,231</b>
General Fund	\$168,862
Counties	\$48,246
Fantasy Sports Fund	\$24,123

\*Total may differ due to rounding

## Tobacco Tax:

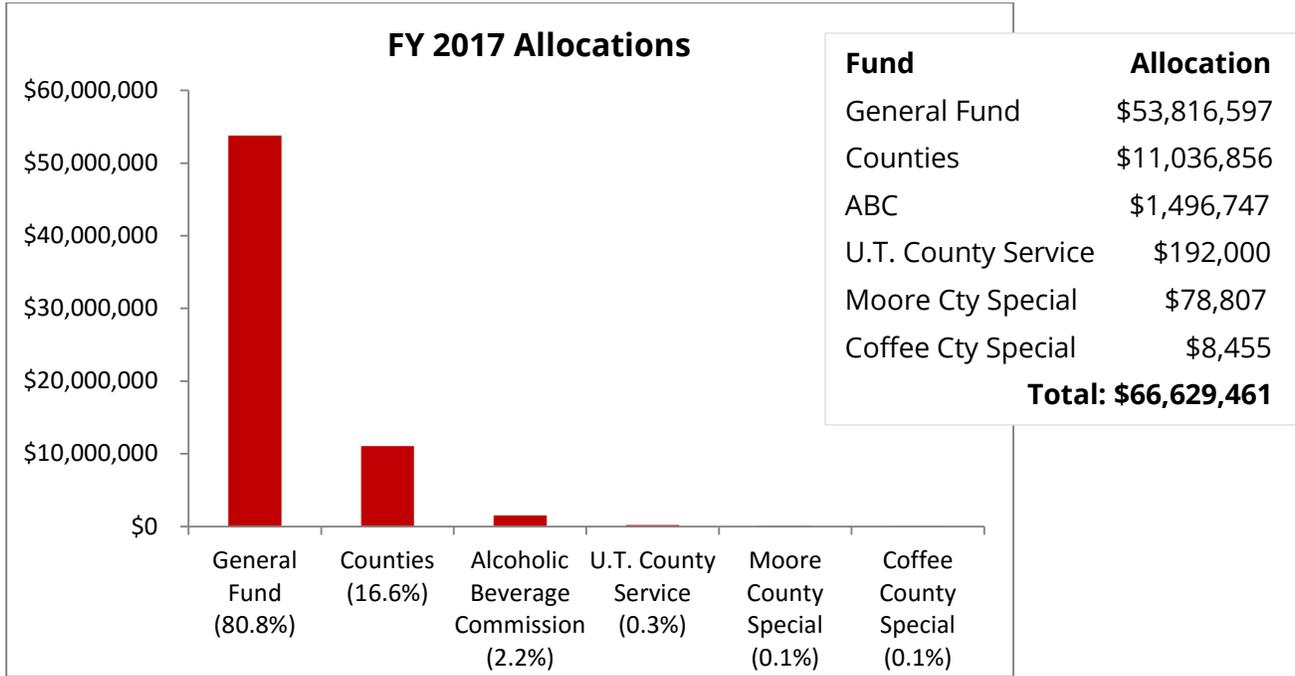


## Mix Drink (Liquor-by-the-drink) Tax:

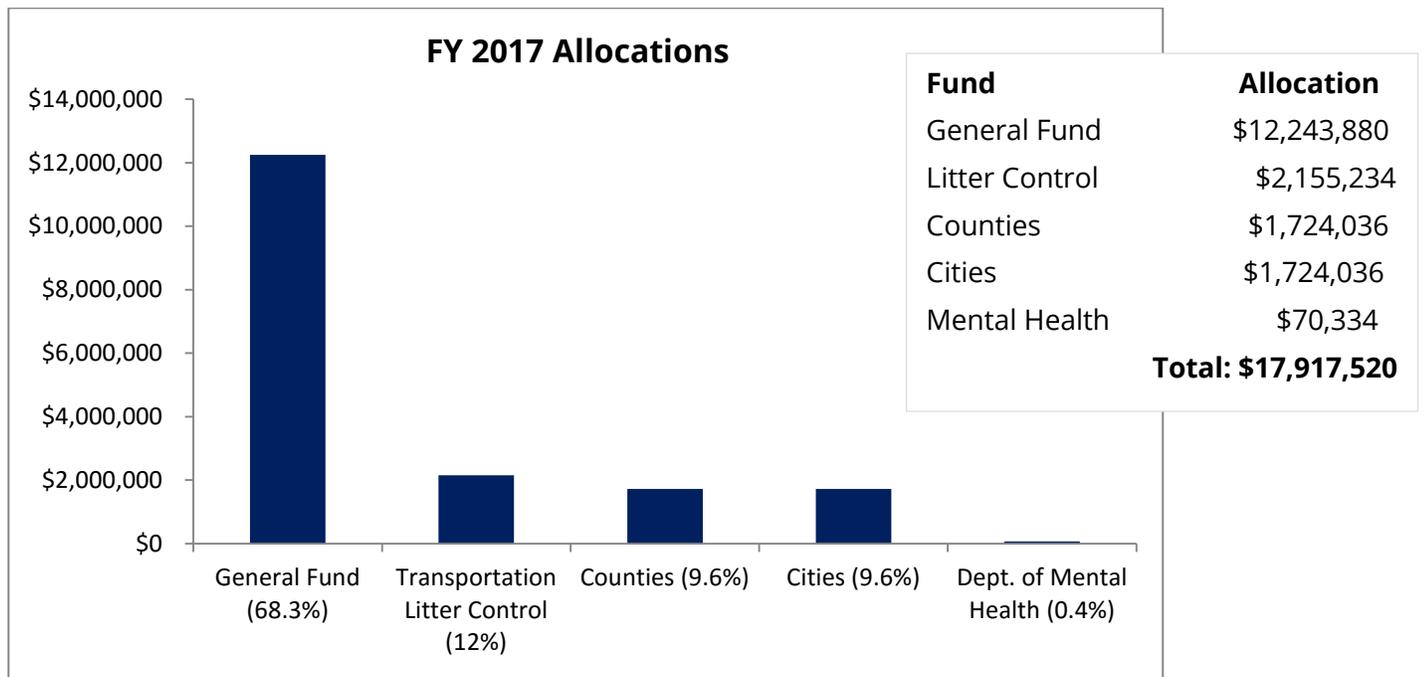


\*Total may differ due to rounding

## Alcoholic Beverage Tax:

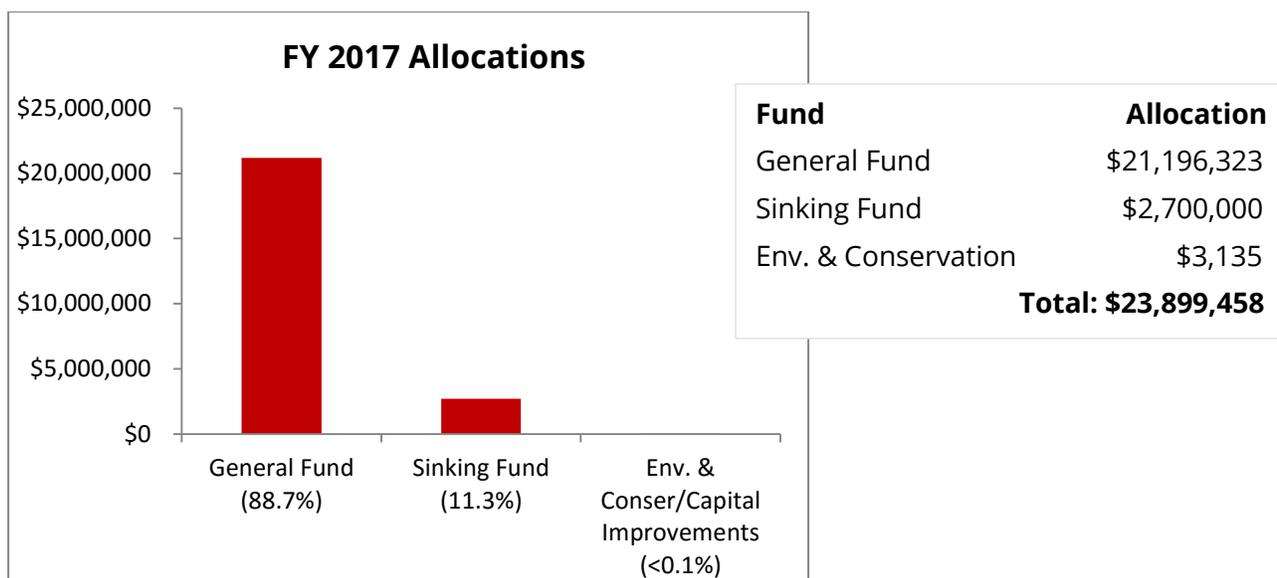


## Beer Taxes

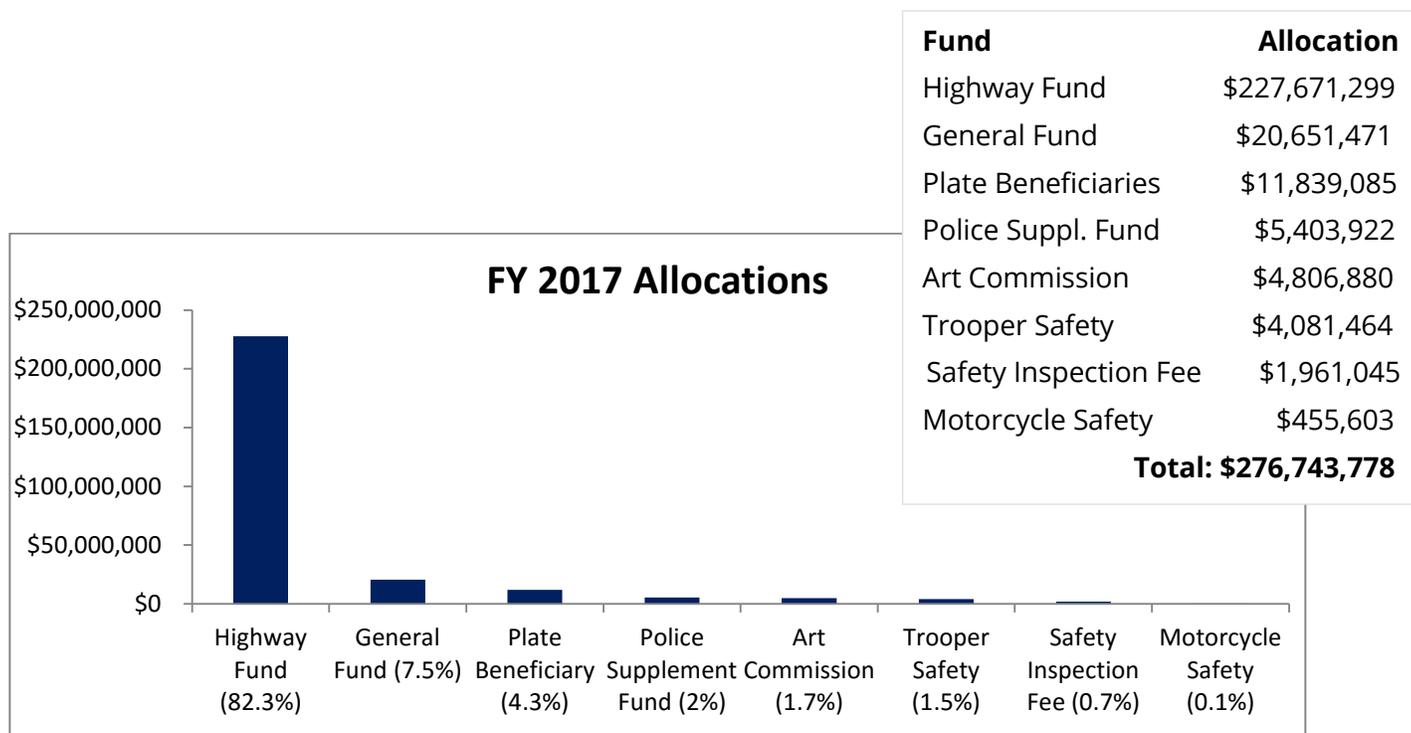


\*Total may differ due to rounding

## Motor Vehicle Title Fee:

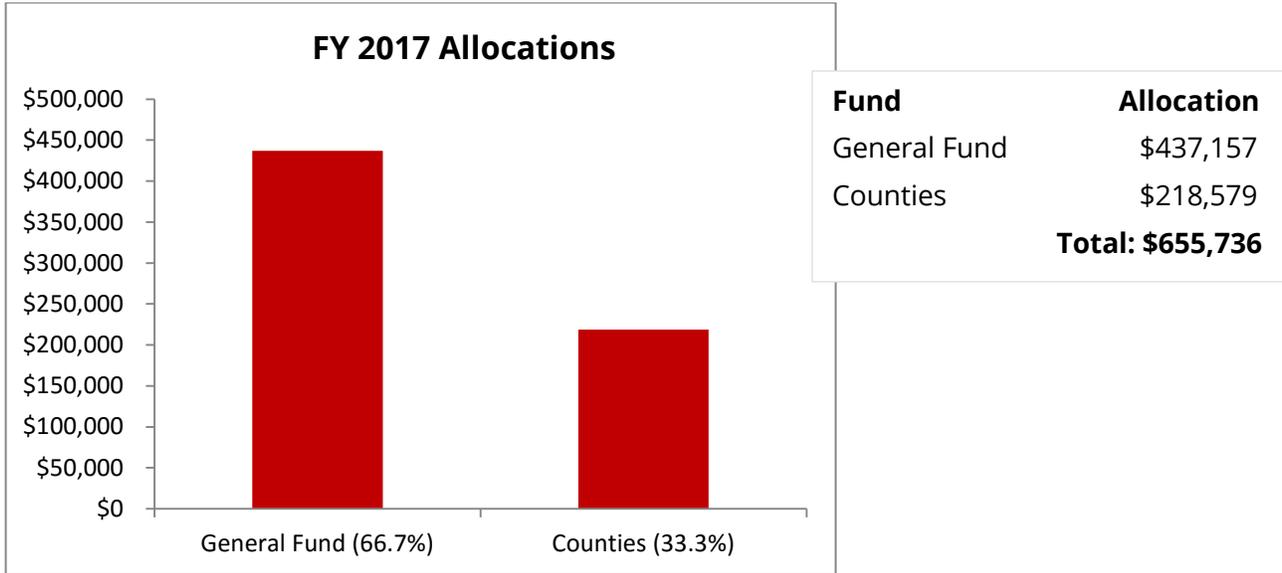


## Motor Vehicle Registration:

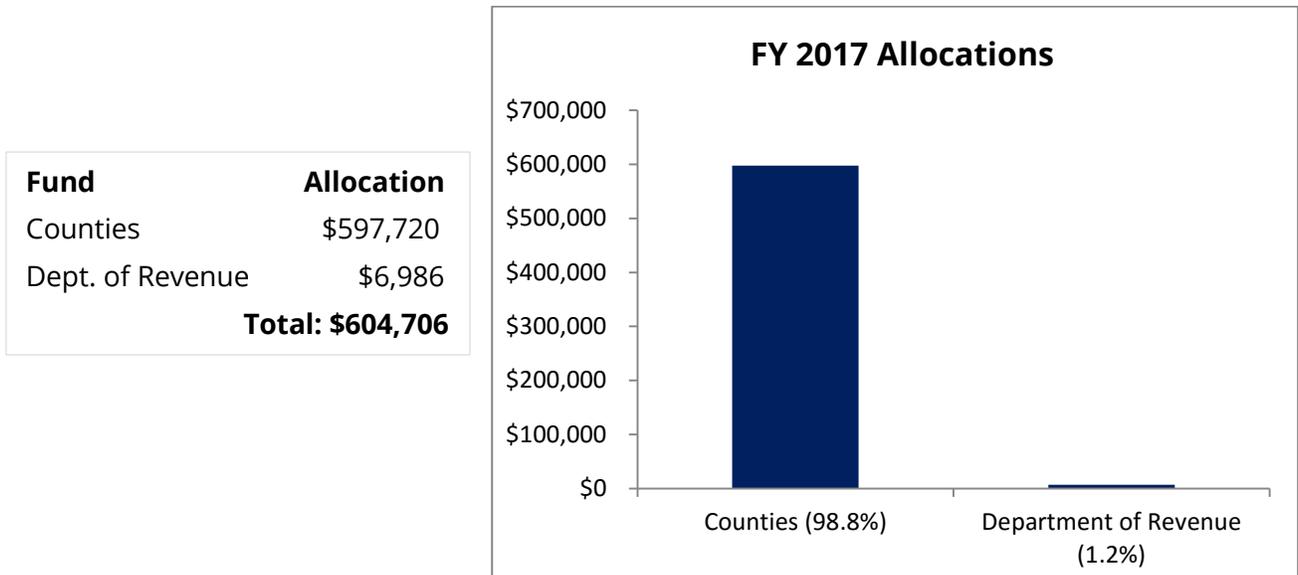


\*Total may differ due to rounding

## Gas & Oil Severance Tax:

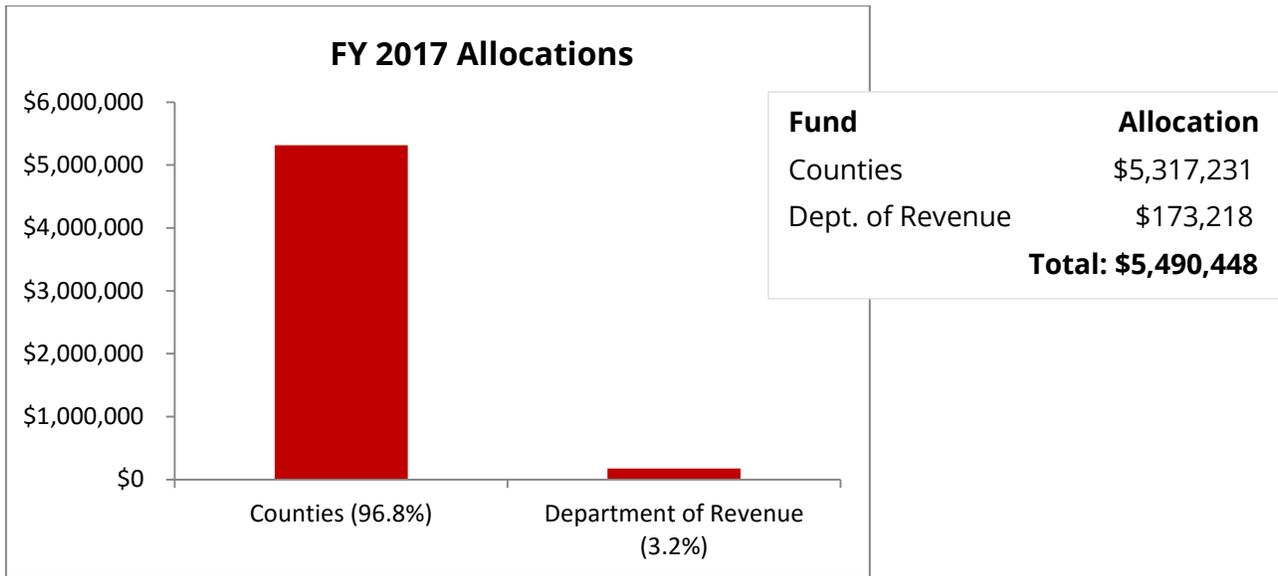


## Coal Severance Tax:

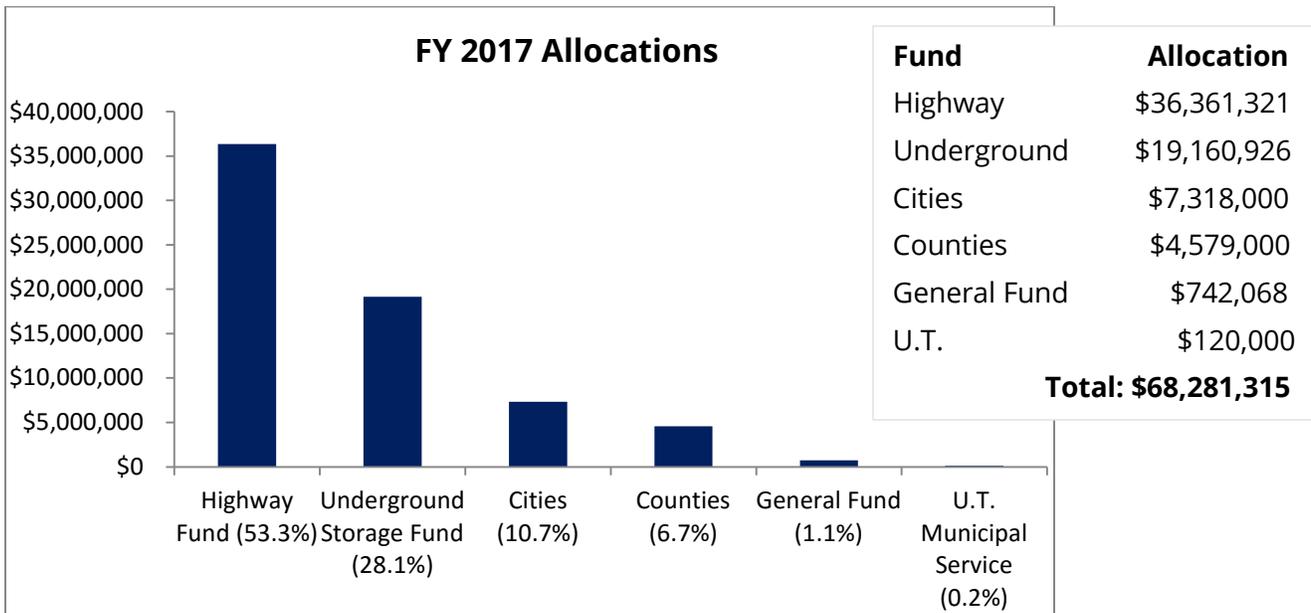


\*Total may differ due to rounding

## Mineral Severance Tax:

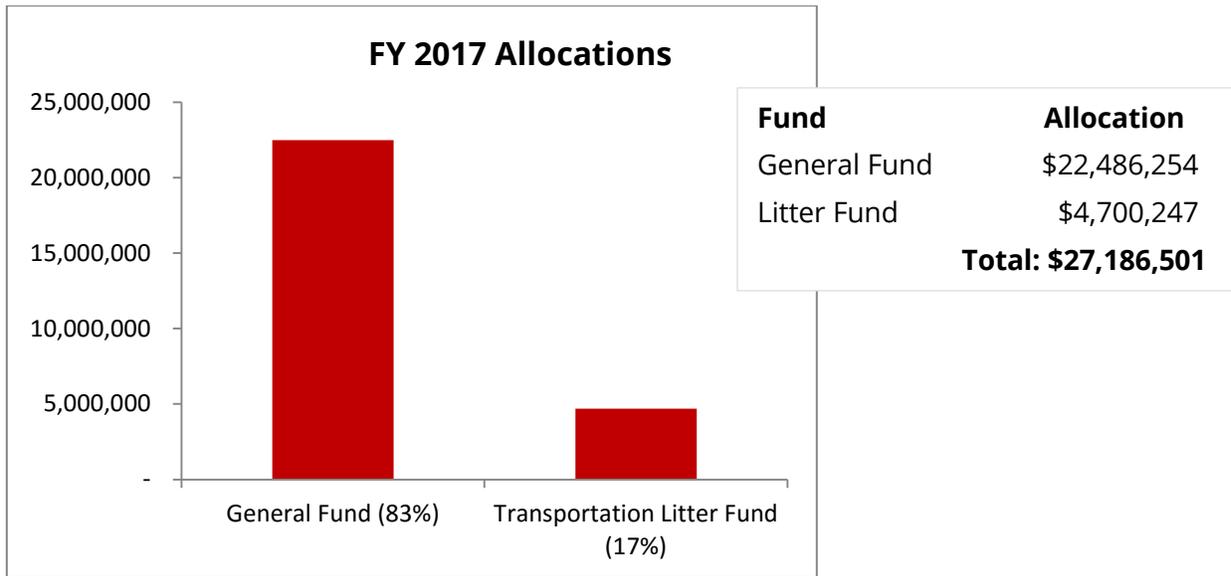


## Petroleum Special Tax:



\*Total may differ due to rounding

## Gross Receipts Tax:



\*Total may differ due to rounding

# X. Employee Leadership and Development Training

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In conjunction with the Department of Human Resources, the Department of Revenue offers its employees several opportunities to help cultivate and enhance their leadership skills. These programs also offer candidates the opportunity to network with peers across the Department, as well as around state government.

Here's a quick overview of some of the leadership training we offer employees:

**Revenue Leadership Bootcamp** is an internal program for the Department created for its employees to enhance current leadership talent and prepare emerging leaders for the challenges of the future. Boot camp activities include:

- Senior leadership panel discussion
- Leadership Book Club
- Interactive classroom discussion
- Small group breakout activities
- Presentations from existing Revenue leaders related to their leadership experiences
- Networking with coworkers and executive leadership

Revenue's candidates for its Leadership Bootcamp during fiscal 2016-2017 were:

- **Jeremy Baker (Audit, Nashville)**
- **Amy Barnes (Audit, Knoxville)**
- **Jamie Bowers (Collection Services, Jackson)**
- **Phil Carney (Special Investigations, Knoxville)**
- **Elizabeth Holland (Audit, Chattanooga)**
- **Alison Isom (Audit, Memphis)**
- **Michelle Jones (Collection Services, Memphis)**
- **Russ Lassiter (Special Investigations, Nashville)**
- **Brandon McArthur (Vehicle Services, Nashville)**
- **Terea Ostein (Processing, Nashville)**
- **Pamela Pennimon (Vehicle Services, Nashville)**

- **Mason Simpson (Audit, Knoxville)**
- **Clifton Smith (Collection Services, Jackson)**
- **Kristina Tsuei (Audit, California)**
- **Rayna Ware (Audit, Nashville)**
- **Anne Warner (Legal, Nashville)**



**Accelerated Leadership Institute (ALI)** is a development program that prepares high-potential employees for leadership within state government. Participants focus on the following areas:

- Evaluating the ideas that will shape state government tomorrow
- Analyzing and producing innovative and imaginative solutions to real-world problems
- Expanding their field of vision beyond a particular functional area or agency focus within government

Revenue's ALI participants for the fiscal 2016-2017 fiscal year were **Nena Pace (Audit, Nashville)** and **Bill Arth (Collection Services, Nashville)**.



**LEAD Tennessee** is a statewide, 12-month development initiative for current managers and supervisors from all branches of government. The program consists of six one-day "summits" of intense, high-impact learning focused on eight leadership core competencies: self-management, mission driven, customer-focused, courage, talent-focused, integrity, innovation, and high-performing. The program is conducted in Nashville at Lipscomb University.

Revenue's LEAD Tennessee participants for the 2016-2017 fiscal year were **Will Binkley (Special Investigations, Nashville)**, **Mark See (Audit, Nashville)**, **Susan Sagash (Audit, Nashville)**, **Jennifer Lanfair (Vehicle Services, Nashville)**, **Jimmy Faverman (Audit, Nashville)**, **Ralph Parker (Collection Services, Nashville)**, and **David Heithcock (Human Resources, Nashville)**.



**Tennessee Government Management Institute (TGMI)** is a two-week residential management program that provides mid-level managers in Tennessee state government with the opportunity for academic study, learning in practical management skills, and cross agency networking to enhance the individual skills of middle managers.

Revenue's TGMI candidates for the 2016-2017 fiscal year were **Alaina Burford (Vehicle Services, Nashville)** and **Russ Lassiter (Special Investigations, Nashville)**.



**Russ Lassiter** **Alaina Burford**

**Tennessee Government Executive Institute (TGEI)** is designed for senior-level leaders, such as assistant commissioners, deputy commissioners, and directors. This program is a two-week residential training course that provides senior level leaders in Tennessee state government with the opportunity for academic study, learning executive responsibility, and cross agency networking designed to enhance the skills of Tennessee government's senior leaders. Revenue's TGEI candidate for the 2016-2017 fiscal year was **Abigail Sparks (Human Resources, Nashville)**.



# XI. Contact the Department

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## **Nashville - Andrew Jackson Office**

500 Deaderick Street  
Nashville, TN 37242  
(615) 253-0600  
Statewide toll-free: (800) 342-1003

## Tennessee Regional Offices

### **Chattanooga**

1301 Riverfront Parkway  
Chattanooga, TN 37402  
(423) 634-6266

### **Cookeville**

1100 England Drive,  
Suite 4A  
Cookeville, TN 38501  
(931) 526-9699

### **Jackson**

225 Dr. Martin Luther King  
Jr. Drive, Suite 340  
Jackson, TN 38301-6920  
(731) 423-5747

### **Johnson City**

204 High Point Dr.  
Johnson City, TN 37601  
(423) 854-5321

### **Knoxville**

7175 Strawberry Plains  
Pike, Suite 300  
Knoxville, TN 37914  
(865) 594-6100

### **Memphis**

3150 Appling Road  
Bartlett, TN 38133  
(901) 213-1400

### **Nashville - Metro Center Office**

44 Vantage Way, Suite 160  
Nashville, TN 37243  
(615) 741-3101

### **Shelbyville**

875 Union Street  
Suite B & C  
Shelbyville, TN 37160  
(931) 685-5010

## Out-of-state Offices

### **Atlanta**

5665 New Northside Drive,  
#160  
Atlanta, GA 30328  
(770) 541-5980

### **Chicago**

800 Roosevelt Road,  
Building B, #206  
Glen Ellyn, IL 60137-5848  
(630) 790-0631

### **Houston**

8210 Willow Place South,  
Suite 420  
Houston, TX 77070  
(832) 912-8500

## New York

1500 Broadway, Suite  
1100  
New York, NY 10036  
(646) 366-5880

## Newport Beach

180 Newport Center Drive,  
#250  
Newport Beach, CA 92660  
(949) 720-8434

## Philadelphia

1950 Street Rd., Suite 105  
Bensalem, PA 19020  
(215) 245-4556

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