



TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations



5

226 Anne Dallas Dudley Blvd., Suite 508
Nashville, Tennessee 37243-0760

Phone: (615) 741-3012

Fax: (615) 532-2443

www.tn.gov/tacir

MEMORANDUM

TO: Commission Members

FROM: Cliff Lippard *Cliff*
Executive Director

DATE: 17 December 2020

SUBJECT: House Bill 971/Senate Bill 1075 (Local Revenue and Services)—Draft Final Report for Approval

The attached Commission report is submitted for your approval. This is the third and final report of the Commission's comprehensive study of the revenue sources of counties and cities in Tennessee and the services counties and cities provide. The report has been updated based on members' comments at the last meeting. Members requested that more information regarding Public Chapter 856, Acts of 2002, be added to the front part of the report. This addition, which is shown below, can be found on pages 8 and 9 of the report:

The percentage of each state-shared tax's revenue that the state must share with local governments is set in state law, and local governments' state-shared tax revenue as a percentage of total state tax revenue has varied over time in part because of changes in state law. To help balance the state's budget in 2002, the General Assembly increased tax rates for alcoholic beverage, beer, business, cigarette, coin-operated amusement, excise, professional privilege, sales, vending machine sales, and wholesale tobacco taxes, and none of the additional revenues from the increases were shared with local governments. Rather than increase the \$1,600 single article cap on the local option sales tax, the General Assembly enacted the state single article tax on the value of sales between \$1,600 and \$3,200 at a rate of 2.75% (\$56.9 million in state revenue in fiscal year 2016-17). Following the 2002 changes, state-shared tax revenue as a percentage of total state tax revenue decreased from 8.4% to 7.5% and has not again

reached its 2002 level. Some local officials have raised budgetary and fairness concerns resulting from the 2002 increases not being shared, saying that counties and cities also need additional revenue.