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# 2002-2003 State Revenue Estimates

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for Tennessee cities and towns

MUNICIPAL TECHNICAL ADVISORY SERVICE

July 11, 2002

#81

#### 2002-2003 State Revenue Estimates

By Dick Phebus
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#### **State Shared Taxes and Appropriations**

The Tennessee General Assembly adjourned on July 4, 2002, marking the first session ever to conduct business on that holiday. In its wake, the lawmakers passed and Governor Sundquist signed into law the largest revenue measure in the state's history, generating an estimated \$933 million in new taxes. More importantly for municipal governments, the new revenue measures and appropriations bill left intact state-shared tax distributions. Based on revenue projections for FYE 2003, cities are expected to receive approximately \$97 per capita for the fiscal year beginning July 1, 2002.

As noted above, the revenue measure signed into law raised over \$933 million in new taxes. While many of the increases are on taxes that are shared with local governments, cities will not see any increase in their shared amounts due to the tax rate changes. All of the increases have been directed to the state for funding state expenditures.

The following is a breakdown of what cities can expect to receive this year. For those cities that are in the process of adopting a budget or have already approved one, financial personnel should review this information to determine if adjustments to the budget document are necessary.

General Fund	Per Capita Amount
State Sales Tax	\$60.47
State Beer Tax	.50
Special Petroleum Products Tax	2.26
(City Streets & Transportation Revenue)	
Gross Receipts Tax (TVA in lieu of taxes)	6.79
Total General Fund Revenue	\$70.02
State Street Aid Funds	
Gasoline and Motor Fuel Taxes	\$26.75
Total Per Capita (General and State Street Aid Funds)	\$96.77

#### Other sources of revenue:

- The Hall Income Tax. The statewide projected increase is slightly less than 5 percent, but individual city amounts will fluctuate. Also, due to recent market volatility, it would be prudent to be somewhat conservative in estimating your city's revenue.
- The Corporate Excise Tax. The statewide projected increase is 2.5 percent. This tax is based on bank profits and is distributed based on situs in lieu of intangible personal property taxes. Cities must levy a property tax in order to receive revenue from this tax.
- The Mixed-Drink Tax. The statewide projected increase is 2.7 percent.
- The Public Safety Salary Supplements continue to be funded at the same rate as FY 2002. Upon completion of certain training requirements, police officers and fire personnel are eligible for bonus salary supplements of \$600 and \$450 respectively. The supplements are found in Chapter 842, Public Acts of 2002, section 7.

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