



4-29-1986

## 1986-87 State Revenue Estimates, Federal Revenue Sharing & Local Sales Tax Outlook

Ken Joines

*Municipal Technical Advisory Service*

Jim Leuty

*Municipal Technical Advisory Service*

Follow this and additional works at: [http://trace.tennessee.edu/utk\\_mtastech](http://trace.tennessee.edu/utk_mtastech)

 Part of the [Public Administration Commons](#)

The MTAS publications provided on this website are archival documents intended for informational purposes only and should not be considered as authoritative. The content contained in these publications may be outdated, and the laws referenced therein may have changed or may not be applicable to your city or circumstances.

For current information, please visit the MTAS website at: [mtas.tennessee.edu](http://mtas.tennessee.edu).

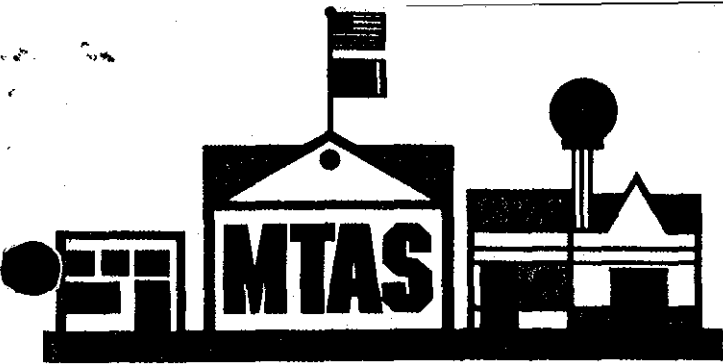
---

### Recommended Citation

Joines, Ken and Leuty, Jim, "1986-87 State Revenue Estimates, Federal Revenue Sharing & Local Sales Tax Outlook" (1986). *MTAS Publications: Technical Bulletins*.

[http://trace.tennessee.edu/utk\\_mtastech/229](http://trace.tennessee.edu/utk_mtastech/229)

This Bulletin is brought to you for free and open access by the Municipal Technical Advisory Service (MTAS) at Trace: Tennessee Research and Creative Exchange. It has been accepted for inclusion in MTAS Publications: Technical Bulletins by an authorized administrator of Trace: Tennessee Research and Creative Exchange. For more information, please contact [trace@utk.edu](mailto:trace@utk.edu).



# TECHNICAL BULLETIN

MUNICIPAL TECHNICAL ADVISORY SERVICE  
THE UNIVERSITY OF TENNESSEE  
IN COOPERATION WITH THE TENNESSEE MUNICIPAL LEAGUE

Authorization Number E14-1050-00-003-86

April 29, 1986

## 1986-87 STATE REVENUE ESTIMATES, FEDERAL REVENUE SHARING & LOCAL SALES TAX OUTLOOK

By W. K. Joines, Assistant Director  
James H. Leuty, Finance & Accounting Consultant

### STATE REVENUE

The State General Assembly adjourned on April 17, 1986. Based on information presently available, Tennessee cities should receive the following amounts of state shared taxes for the fiscal year beginning July 1, 1986.

### GENERAL FUND

### PER CAPITA AMOUNT

STATE SALES TAX	\$33.41
STATE BEER TAX	.46
SPECIAL PETROLEUM PRODUCTS TAX (gasoline inspection fee)	2.72
GROSS RECEIPTS (TVA in-lieu taxes)	3.78
INCOME TAX (Statewide projected decrease of 15%)	
CORPORATE EXCISE TAX (Statewide projection about equal to FY-86 but individual city amounts may fluctuate)	
MIXED DRINK TAX (Statewide projected increase of 3%)	

### STATE STREET AID FUND

GASOLINE & MOTOR FUEL TAXES - Regular Allocation	\$13.63
GASOLINE & MOTOR FUEL TAXES - 1986 New Allocation	2.51
GASOLINE & MOTOR FUEL TAXES - 1985 Tax	<u>5.10*</u>

TOTAL - GAS AND FUEL TAX (If properly certified) \$21.24

\*Present plans call for cities to continue receiving State Street Aid money in two checks. The original one cent gas tax and the new (1986) allocation will be distributed in one check. The State Street Aid Tax, first authorized in 1985, will be distributed by separate check and "five year maintenance of effort certification" will be required in order for a city to receive this money. See reference below on Gasoline and Motor Fuel Tax regarding certification requirements. The new (1986) revenue allocation will be received by cities beginning in August 1986 and the per capita amount has been calculated to reflect 11 payments.

## FEDERAL REVENUE SHARING FUNDS

As things stand now this program is scheduled to expire September 30, 1986. Current information indicates cities should expect to receive two reduced payments for the fiscal year beginning July 1, 1986. The July 1986 payment should be about 87% of the April allocation and the October payment should be about 62% of the April allocation.

Reauthorization and funding for this program is currently tied up in the Senate. It's not fair to say all hope for this program is gone, but chances for extension beyond September 30 appear slim. MTAS will keep you informed if this situation changes.

Because of the impending shutdown of the Revenue Sharing program there are two important dates to remember. **June 2, 1986** is the last date for challenging the following base data factors: (1) 1984 Taxes & Transfers, (2) July 1, 1984 Population, and (3) July 1, 1982 Per Capita Income. **September 30, 1987** is the cutoff date for a city to spend, obligate or appropriate all Revenue Sharing Funds.

### LOCAL SALES TAX

While this tax is tied directly to site of sales location, growth of this tax is expected to be adversely affected by: (1) the single item sales tax cap which has been reached in most cities so this built in growth will cease, (2) legislation passed by the General Assembly exempts tax on certain items. These exemptions will amount to about \$4.25 million dollars in local government revenue. This will be about \$0.75 per capita; however, the per capita amount will vary between cities. Taking these factors into consideration, many communities may see relatively little, if any growth in this revenue for FY-87. The economy may be strong enough in other communities to more than offset these negative factors.

As background for municipal officials regarding state-shared taxes, a brief summary of each state-shared revenue source is provided.

**STATE SALES TAX** - TCA 67-6-101 et seq. imposes a 5-1/2% State Sales and Use Tax on the sale, use, consumption, distribution, lease, or rental of tangible personal property and selected services. TCA 67-6-103(3)(A) provides that cities shall receive, after certain deductions, their per capita share of 4.5925% of this revenue.

**STATE BEER TAX** - TCA 57-5-201 levies a tax on the manufacture, sale, and transportation of beer. Cities are allocated 10.05% of this money without regard to the legal sale of beer in their city.

**SPECIAL PETROLEUM PRODUCTS TAX** - TCA 67-3-904 levies a \$0.01 per gallon tax on gasoline and most other volatile fuels sold, used, or stored in the state. Approximately \$12,000,000 of this revenue is allocated to local governments.

**GROSS RECEIPTS TAX** - TCA 67-9-101 et seq. require TVA to pay 5% of gross power sales proceeds to the state in-lieu-of-taxes. Of the increase in TVA payments made to the state above the amount received in the base year (1977-78), 48.5% is distributed to county and municipal governments. Thirty per cent of this amount is distributed to municipalities based on population. Special additional

payments are also made to areas impacted by TVA power construction projects. Further, those cities receiving TVA in-lieu-of-tax funds from the state prior to implementation of the per capita distribution continue to receive that amount, plus the per capita amount.

**INCOME TAX** - TCA 67-2-119 allocates 3/8 of the 6% state income tax to local governments in Tennessee. The income exemption increase became effective on all tax returns filed after January 1, 1986.

**EXCISE TAX** - TCA 67-4-813 allocates 2.5% of excise tax collections to local governments. Any city having a bank or branch bank inside their corporate limits may receive some money from this source. Reasons why your city may not receive money from this source include: (1) the bank did not make a profit or (2) the home office of the bank is located in another city of your county. If you have specific questions about the amount of money your city received, you should contact Mr. Ken Morrell, Division of Local Property Assessment, (615) 741-7644.

**MIXED DRINK TAX** - TCA 67-4-306 allocates 50% of the 15% gross receipts tax on the basis of situs of collection.

**GASOLINE & MOTOR FUEL TAXES** - TCA 67-3-603 & 604, and 67-3-803 impose a state tax on vehicle fuel. A portion of the revenue generated from these taxes is shared with local governments.

The tax on these fuels has been increased by \$0.07 over the past two years and local governments share in this revenue. There continues to be a "local maintenance of effort (5 year average) for street expenditure" included on the \$5.10 per capita revenue allocation. Cities will receive notification from the state about the procedures to be followed in complying with this requirement. If you need assistance or have question on this matter contact your MTAS representative.

Municipal Technical Advisory Service  
891 20th Street  
The University of Tennessee  
Knoxville, TN 37996-4400

Non-Profit Org. U.S. POSTAGE PAID Knoxville, Tenn. Permit No. 870
---