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2003-2004 STATE REVENUE ESTIMATES

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The Tennessee General Assembly adjourned on May 29, 2003 marking the first time in recent years that the session did not extend into June or July. The General Assembly adopted revenue and spending bills that call for no new tax increases. To accomplish this, state shared revenues going back to cities and counties were cut by an estimated \$35.5 million. The average county cut was 1.8 percent, while the average city cut was 8.1 percent. Due to the Hall Income Tax distribution to local governments being cut 33 percent, some cities were originally faced with cuts in state shared revenues by more than nine percent. An amendment to the omnibus bill passed in the Senate and concurred with in the House assures that no local government will receive a cut of more than nine percent when all state shared taxes are considered in the aggregate. Based on revenue projections, cities are expected to receive approximately \$93.41 per capita for the fiscal year beginning July 1, 2003.

Following is a breakdown of what cities can expect to receive this year. For 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 (cut 7.5 percent)	\$56.49
State beer tax (cut nine percent)	0.45
Special petroleum products tax (no cut)	2.26
(City streets and transportation revenue)	
Gross receipts tax (TVA in lieu of taxes – no cut)	7.08
Total General Fund revenue	<u>\$66.28</u>
STATE STREET AID FUNDS	
Gasoline and motor fuel taxes (No cut)	<u>\$27.13</u>
TOTAL PER CAPITA (General and state street aid funds)	<u><u>\$93.41</u></u>

Also, there are:

- **The Hall Income Tax.** The omnibus bill cuts amounts going back to cities by 33 percent beginning in FY 2004. The statewide projected increase is four percent, but individual city amounts will fluctuate. A few cities will not be cut the entire 33 percent due to the amendment mentioned above;
- **The corporate excise tax.** The statewide projected increase is one 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 distribution back to cities was cut by nine percent in the omnibus bill;
- **The mixed drink tax.** The statewide projected increase is 5.07 percent. The distribution back to cities was cut nine percent in the omnibus bill; and
- **Public safety salary supplements,** which will be funded at reduced rates from FY 2003. The supplements were cut by nine percent in the appropriations bill. Upon completion of certain training requirements, police officers and fire personnel are eligible for bonus salary supplements of \$546 and \$409.50 respectively. The supplements are found in HB 2074, section 7, the appropriations bill for FY 2004.

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