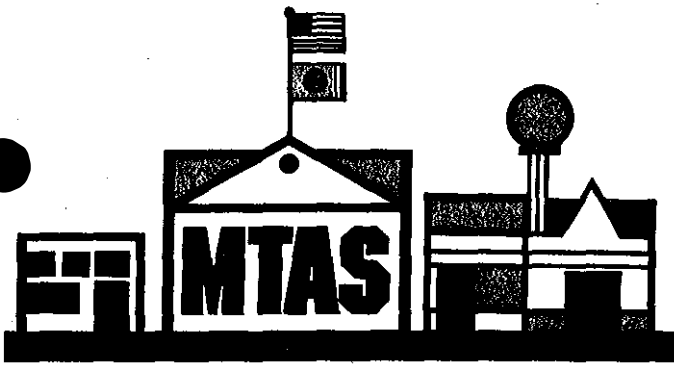




# TECHNICAL BULLETIN

MUNICIPAL TECHNICAL ADVISORY SERVICE  
THE UNIVERSITY OF TENNESSEE  
IN COOPERATION WITH THE TENNESSEE MUNICIPAL LEAGUE  
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## ESTIMATE OF 1985-86 STATE-SHARED REVENUE FOR CITIES

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### STATE REVENUES

The General Assembly adjourned until June 18, at which time they will reconvene for two days. If legislation stands as passed, these estimates for state-shared taxes should be adequate for FY-86 budget purposes:

| GENERAL FUND                                                               | PER CAPITA AMOUNT |
|----------------------------------------------------------------------------|-------------------|
| STATE SALES TAX                                                            | \$31.29           |
| STATE BEER TAX                                                             | 0.48              |
| SPECIAL PETROLEUM PRODUCTS TAX (gasoline inspection fee)                   | 2.77              |
| GROSS RECEIPTS (TVA in-lieu taxes)                                         | 3.78*             |
| INCOME TAX (Use FY 85 amount as a guide)                                   |                   |
| CORPORATE EXCISE TAX (The State estimates an 8% increase from this source) |                   |
| MIXED DRINK TAX (The State estimates an 8% increase from this source)      |                   |

\*Cities received approximately \$3.28 per capita, plus a base year entitlement for some cities, in FY-85. The state's FY-86 budget proposes revenue that would produce \$3.78 per capita, plus base year entitlement. A more realistic estimate indicates that somewhere between \$3.28 and \$3.78 might be more accurate.

### STATE STREET AID FUND

|                                                  |         |
|--------------------------------------------------|---------|
| Gasoline & Motor Fuel Taxes - Regular Allocation | \$13.46 |
| Gasoline & Motor Fuel Taxes - New Allocation     | 5.10    |

As background for municipal officials regarding state-shared taxes, a brief summary of each shared tax 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 revenue and your city receives this money without regard to the legal sale of beer in your 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 available amount is distributed to municipalities based on population. Special additional payments also are 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 continues to receive that amount, plus the per capita.

**INCOME TAX** - TCA 67-2-119 allocates 3/8ths of the 6% state income tax to local governments in Tennessee. The state legislature increased the amount of exemption from taxable income a taxpayer may receive before state income tax will become effective. This change becomes effective on returns filed after January 1, 1986, and will significantly affect this revenue source for FY-87.

**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 should be receiving some money from this source.

**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 and 604, and 67-3-803 impose a state tax on vehicle fuels. A portion of the revenue generated from these taxes is shared with local governments.

The tax on gasoline and gasohol was increased by \$0.03 per gallon and city and county governments will share in this increase. There is a "local maintenance of effort (5 year average) for street expenditures" included in this legislation. Cities will receive notification from the state about the procedures to be followed in complying with this requirement. The increased revenue should begin with the August 1985 check.

#### **LOCAL REVENUES**

Local sales tax revenues will not be affected by the energy fuels tax exemption, since it applied to the state tax only. Changes in the amusement tax exemptions will reduce the local sales tax revenue in those areas where amusement taxes produce significant revenue.

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