



8-19-2011

## Hot Topic: Interest Rate Set at 7.25 Percent Effective July 1, 2011, on Delinquent Taxes Collected or Administered by the State of Tennessee

William Haston  
*Municipal Technical Advisory Service*

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### Recommended Citation

Haston, William, "Hot Topic: Interest Rate Set at 7.25 Percent Effective July 1, 2011, on Delinquent Taxes Collected or Administered by the State of Tennessee" (2011). *MTAS Publications: Hot Topics*. [https://trace.tennessee.edu/utk\\_mtastop/12](https://trace.tennessee.edu/utk_mtastop/12)

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**August 19, 2011**

**INTEREST RATE SET AT 7.25 PERCENT EFFECTIVE JULY 1, 2011,  
ON DELINQUENT TAXES COLLECTED OR ADMINISTERED BY THE STATE OF TENNESSEE**

**William Haston, CGFM, Finance and Accounting Consultant**

The payment of taxes to local municipalities or to the state of Tennessee generally has a due date associated with it. If a taxpayer fails to pay the tax, or a portion thereof, on or before the date the taxes are required to be paid, interest is added to the amount of tax due. The commissioner of revenue determines the interest rate for delinquent taxes collected or administered by the state of Tennessee. Sales tax and local business tax are examples of taxes falling into this category.

**FORMULA RATE OF INTEREST**

T.C.A. § 67-1-801 provides for the rate of interest to be charged on delinquent tax payments. This rate is called the “formula rate of interest” and is determined and set annually by the Tennessee commissioner of revenue. The rate effective July 1, 2011, through June 30, 2012, has been set at 7.25 percent. Municipalities will recognize that this rate is the same as for the current year (FY 2011). A copy of the announcement by the Commissioner of Revenue can be found at <http://tn.gov/sos/pub/tar/announcements/06-20-11.pdf>.

**ACTION REQUIRED  
BY MUNICIPAL FINANCE STAFF**

Finance directors, city recorders and other finance office personnel responsible for collecting or remitting delinquent taxes collected or administered by the state of Tennessee should review the interest rate currently used for delinquent accounts and make the necessary adjustments to comply with the 7.25 percent rate effective July 1, 2011.

**HISTORICAL INTEREST RATES**

The table on the following page from the Tennessee Department of Revenue is a historical presentation of the “formula rate of interest” as determined by the commissioner of revenue. This information is provided as supplemental data to give finance officials a perspective of interest rates for prior years.

**OTHER ASSISTANCE**

Contact your MTAS municipal management or finance consultant for further assistance in this matter. You may also call the Tennessee Department of Revenue toll free at (800) 342-1003 or (615) 253-0600. Visit the MTAS Web site at [www.mtas.tennessee.edu](http://www.mtas.tennessee.edu) or the Department of Revenue Web site at [www.state.tn.us/revenue/](http://www.state.tn.us/revenue/) for further information.

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**INTEREST RATE HISTORY DELINQUENT TAXES OF ALL TYPES  
 T.C.A. § 67-1-801(a)(1-3)**

PERIOD COVERED	RATE	PERIOD COVERED	RATE
Through 9/30/1974	6.00%	7/1/1996 - 6/30/1997	12.25%
10/1/1974 - 7/31/1980	8.00%	7/1/1997 - 6/30/1998	12.50%
8/1/1980 - 6/30/1983	10.00%	7/1/1998 - 6/30/1999	12.50%
7/1/1983 - 6/30/1984	14.50%	7/1/1999 - 6/30/2000	11.75%
7/1/1984 - 6/30/1985	16.00%	7/1/2000 - 6/30/2001	13.50%
7/1/1985 - 6/30/1986	14.50%	7/1/2001 - 6/30/2002	11.00%
7/1/1986 - 6/30/1987	14.50%	7/1/2002 - 6/30/2003	8.75%
7/1/1987 - 6/30/1988	12.25%	7/1/2003 - 6/30/2004	8.25%
7/1/1988 - 6/30/1989	13.00%	7/1/2004 - 6/30/2005	8.00%
7/1/1989 - 6/30/1990	15.50%	7/1/2005 - 6/30/2006	10.00%
7/1/1990 - 6/30/1991	14.00%	7/1/2006 - 6/30/2007	12.00%
7/1/1991 - 6/30/1992	12.50%	7/1/2007 - 6/30/2008	12.25%
7/1/1992 - 6/30/1993	10.50%	7/1/2008 - 6/30/2009	9.00%
7/1/1993 - 6/30/1994	10.00%	7/1/2009 - 6/30/2012	7.25%
7/1/1994 - 6/30/1995	11.25%		
7/1/1995 - 6/30/1996	13.00%		

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Knoxville (Headquarters) . . . (865) 974-0411      Martin . . . . . (731) 881-7055  
 Jackson . . . . . (731) 423-3710      Nashville . . . . . (615) 532-6827  
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MTAS1616 • E14-1050-000-014-12