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## Hot Topic: State Shared Taxes and Appropriations (2008-2009)

Dick Phebus

*Municipal Technical Advisory Service*

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**May 30, 2008**

**2008-2009 STATE SHARED TAXES AND APPROPRIATIONS**

**C. Richard Phebus, Finance and Accounting Consultant**

The second session of the 105th Tennessee General Assembly adjourned on May 22, 2008. Faced with substantial shortfalls in revenues for both fiscal years ending June 30, 2008 and June 30, 2009, the general assembly made significant reductions to both years' original appropriations. While these reductions impacted many state departments and state universities, the municipal share of the state-shared taxes were largely unaffected except for revenue growth projections. Based on these projections for FYE 2009, municipalities are expected to receive approximately \$112.46 per capita for the fiscal year beginning July 1, 2008.

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.

<b>STATE SHARED TAX</b>	<b>PER CAPITA AMOUNT</b>
<b>General Fund</b>	
State Sales Tax	\$ 72.22
State Beer Tax	\$ 0.56
Special Petroleum Products <i>(City Streets and Transportation)</i>	\$ 2.16
Gross Receipts Tax <i>(TVA in lieu)</i>	\$ 9.65
<b>Total General Fund Revenue</b>	<b>\$ 84.59</b>
<b>State Street Aid Funds</b>	
Gasoline and Motor Fuel Tax	\$ 27.87
<b>Total Per Capita (General and State Street Aid Funds)</b>	<b>\$112.46</b>

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**2008-2009 STATE SHARED TAXES AND APPROPRIATIONS**

Following are other changes to taxes and miscellaneous items:

- **Hall Income Tax:** The statewide projections indicate very little growth due to economic conditions. Individual city amounts will fluctuate. Due to recent market volatility it would be prudent to be somewhat conservative in estimating your city’s revenue.
- **Corporate Excise Tax:** The statewide projections indicate little growth. 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.
- **Mixed-Drink Tax:** The statewide projected increase is 4.5 percent.
- **Public Safety Salary Supplements:** HB 4219/SB 4213 was adopted by the General Assembly on the last day of the session. The public safety salary supplements for firefighters and police officers are to be funded at the same rate for FY 2009. Upon completion of certain training requirements police officers and firefighters are eligible for annual bonus salary supplements of \$600 each.

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The Municipal Technical Advisory Service (MTAS) is a statewide agency of the University of Tennessee Institute for Public Service. MTAS operates in cooperation with the Tennessee Municipal League to provide technical assistance services to officials of Tennessee’s incorporated municipalities. Assistance is offered in areas such as accounting, administration, finance, public works, ordinance codification, and water and wastewater management.

MTAS *Hot Topics* are information briefs that provide a timely review of current issues of interest to Tennessee municipal officials. *Hot Topics* are free to Tennessee local, state, and federal government officials and are available to others for \$2 each. Photocopying of this publication in small quantities for educational purposes is encouraged. For permission to copy and distribute large quantities, please contact the MTAS Knoxville office at (865) 974-0411.

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