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TECHNICAL BULLETIN

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

U.T. No. E14-1050-00-002-84

May 18, 1984

Cities Authorized To Increase Sales Tax Base

By

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Recently enacted Chapter 729, Public Acts of 1984, permits cities located in counties with a county-wide local sales tax to increase the base of the sales tax on the sale or use of any single article of personal property within the city's corporate limits. Cities and counties have had the authority to raise the tax base as it affected taxes that were levied by each. This legislation merely permits cities to raise the base in counties where the county has not acted.

Cities now have the authority to increase the base of the county-levied sales tax on sales within their corporate limits if they are located in counties that have not taken such action. Previously, the Attorney General ruled that only the local governing body that levied the tax had the authority to increase the tax base. Recent legislation removed that restriction and cities may increase the tax base for city-levied and county-levied sales taxes on sales within their corporate limits.

Any city may increase the single article local sales tax cap for sales within its corporate limits by adopting an ordinance applying the tax rate to the first \$667.00 of the purchase price during the 1983-84 fiscal year. Once this ordinance is adopted, the single article base will automatically increase to \$889.00 beginning July 1, 1984 and to \$1,100.00 beginning July 1, 1985. If such an ordinance is not adopted, the maximum single article sales tax cap will remain \$5.00 if the local sales tax rate is 1% or less, and \$7.50 if the local rate is greater than 1%.

The ordinance to increase the single article local sales tax cap must be passed at least twice, at two or more consecutive public meetings, not more than one of which may be held on any single day. Notice of the meetings must be published at least once in a newspaper of general circulation throughout the jurisdiction involved, not less than seven days before the first of the meetings. No referendum is required in order to increase the sales tax cap.

A certified copy of the ordinance shall be sent to the State Department of Revenue immediately upon adoption. Collection of this tax will begin on the first day of the month occurring thirty or more days after a certified copy of the adopted ordinance is received by the Department of Revenue.

Proceeds of the increase in taxes will be distributed on the same basis as current proceeds.

A sample ordinance for raising the limit on the sale or use of a single article of personal property is attached to this publication. For further information, contact the State Department of Revenue or your MTAS Consultant.

SAMPLE ORDINANCE

ORDINANCE NO. _____

AN ORDINANCE to increase the base of the county-wide local option sales and use tax for purposes of the sale or use of any single article of personal property within the corporate limits.

BE IT ORDAINED _____ (here insert proper ordaining clause):

Section 1. The maximum local option sales tax collectible on the sale or use of a single item of personal property as authorized in the resolution of the county legislative body which levied the local option sales tax for _____ County, of record in Minute Book _____ at page _____, is hereby removed for purposes of the sale or use of any single article of personal property within the corporate limits.

Section 2. Beginning on the first day of the month occurring thirty (30) or more days after a certified copy of this ordinance is received by the Department of Revenue, the local sales tax at the present rate effective in _____ County shall apply to the first six hundred sixty-seven dollars (\$667.00) on the sale or use of any single article of personal property within the corporate limits if collection begins before July 1, 1984. If collection begins on or after July 1, 1984, then the present rate shall apply to the first eight hundred eighty-nine dollars (\$889.00) on the sale or use of any single article of personal property within the corporate limits, and beginning on July 1, 1985, to the first one thousand one hundred dollars (\$1,100.00) on the sale or use of any single article of personal property within the corporate limits.

Section 3. Future increases in the base beginning on the dates specified in Section 2 shall be automatic and shall not require further action of the governing body.

Section 4. Nothing herein contained shall be construed to increase the local option sales tax rate heretofore in effect in _____ County or _____ (name of city).

Section 5. Notice of the meetings for the consideration of this Ordinance and that this matter is on the agenda of the meetings has been published at least once in a newspaper of general circulation in the city.

Section 6. A certified copy of this Ordinance shall be transmitted immediately upon adoption to the Department of Revenue of the State of Tennessee by the Recorder.

Section 7. The maximum tax on the sale or use of any single item authorized by this Ordinance shall be collected by the State Department of Revenue concurrently with the collection of the state tax and the _____ County sales tax and in the same manner as these taxes are collected in accordance with the rules and regulations promulgated by the Department.

Section 8. For all purposes except collection of the tax on the increased base, this ordinance shall take effect _____ (here insert proper effective date). For purposes of collection of the tax on the increased base, this ordinance shall take effect on the first day of the month occurring thirty (30) or more days after a certified copy is received by the Department of Revenue.

Passed 1st reading _____, 1984.
Passed 2nd reading _____, 1984.
Passed 3rd reading _____, 1984.*

*If required.

NOTE: If the city has a municipal code, this ordinance should be modified to amend the code.

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