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Estimates and Explanation of 1981-82
State Shared Funds for Cities

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<table>
<thead>
<tr>
<th>General Fund</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>Sales Tax</td>
<td>$23.33</td>
</tr>
<tr>
<td>Beer Tax</td>
<td>.43</td>
</tr>
<tr>
<td>Gasoline Inspection</td>
<td>2.80</td>
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<tr>
<td>Gross Receipts Tax (TVA in-lieu taxes)</td>
<td>1.92</td>
</tr>
<tr>
<td>Income Tax</td>
<td>NA</td>
</tr>
<tr>
<td>Mixed Drink Tax</td>
<td>NA</td>
</tr>
<tr>
<td>Alcoholic Beverage Tax</td>
<td>NA</td>
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| State Street Aid Fund         |        |
| Gasoline and Motor Fuel Tax   | 12.18  |

To provide some background to municipal officials regarding state shared taxes, a brief summary of each shared tax revenue source is provided along with the permitted use of each revenue and schedule of payments to cities.

**Sales Tax** - The 4 1/2% state sales tax is levied on the retail sale or use of tangible personal property, rental or lease of tangible personal property, and specific services. TCA 67-3047 provides that twelve and one-half percent (12 1/2%) of four-ninths (4/9) of the four and one-half percent (4 1/2%) state sales tax are to be allocated to the incorporated municipalities of the state. Distribution of these revenues to individual cities is based on the proportion of the city's population to the aggregate population of all municipalities in the state according to the latest federal census or other census provided by state law.

Sales tax distribution can be used by cities for any lawful expenditure. Checks are forwarded to cities on a monthly basis.

**Beer Tax** - TCA 57-5-201 provides for a special privilege tax of $3.40 per thirty-one (31) gallon barrel to be paid by persons manufacturing or distributing beer in the state. Cities receive two-seventeenths (2/17) of ninety-six percent (96%) of revenue collected less two percent (2%) distributed to the Department of Mental Health and Mental Retardation to assist municipalities in carrying out the provisions of the "Comprehensive Alcohol and Drug Treatment Act of 1973" (TCA 57-5-205). These revenues are to be considered as general fund revenues. Checks are forwarded to cities semi-annually.
TVA Gross Receipts Tax - TCA 67-2401 through 67-2403 provide that forty-eight and one half percent (48 1/2%) of any increase in TVA in-lieu-of-tax payments paid to the state, as compared to payments received by the state in fiscal year 1977-78, shall be distributed to the cities and counties. An additional three percent (3%) of the increase is distributed by TVA for "impact" monies where TVA construction is affecting a local government. Cities receive thirty percent (30%) of the forty-eight and one-half percent (48 1/2%) distribution based on the proportion of an individual city's population to the population of all incorporated municipalities in Tennessee. These revenues are to be used for general fund purposes.

Many cities received TVA in-lieu-of-tax payments from the state prior to the implementation of this per capita distribution. Therefore, it is possible that a city could be receiving funds from this source based on one or more of three circumstances:

1. The city receives funds based on the per capita distribution;
2. The city was receiving TVA in-lieu-of-tax funds from the state prior to implementation of the per capita distribution and, as a result, continues to receive funds on a per capita basis at a level not less than that being received in fiscal year 1977-78; and/or
3. A city is receiving "impact funds" as a result of TVA construction.

These revenue sources should not be confused with in-lieu-of-tax revenues received from an electric system owned by a city.

Income Tax - A state income tax (TCA 67-2601 et seq.) at a rate of six percent (6%) is levied on income derived from dividends from stocks or interest on certain bonds. Distribution of state income tax revenues to cities is based on the residence of tax-payers paying at the six percent (6%) rate. Where a six percent (6%) tax-payer lives in an incorporated municipality, three-eighths (3/8) of that six percent (6%) is returned to the city. These revenue are for general fund purposes. Checks are forwarded once a year, generally in August.

Mixed Drink Tax - TCA 57-4-301 through 57-4-308 provides for license fees and a fifteen percent (15%) privilege tax for businesses providing on-premise alcoholic beverage service. Fifty percent of the privilege tax is allocated to cities and counties. One half (1/2) of this fifty percent (50%) shall be expended and distributed in the same manner as the county property tax for schools is expended and distributed. The other one half (1/2) shall be distributed as follows: (1) collections of gross receipts collected in unincorporated areas, to the county general fund; (2) collections of gross receipts in incorporated cities, towns, to the city or town wherein said tax is collected.

Alcoholic Beverage Tax - TCA 57-9-115 provides that cities will receive ninety percent (90%) of the proceeds from the sale of liquor confiscated in accordance with the provisions of TCA 57-9-101 through 57-9-206. Additionally, in accordance with TCA 57-9-201, cities receive 50% of the proceeds from the sale of vehicles, aircrafts, or boats confiscated as a result of actions taken pursuant to the previously mentioned code sections.

These revenues are to be used for general fund purposes.
Gasoline Inspection Fee - Gasoline and several other petroleum products sold, used, or stored in the state are taxed at a rate of 1¢ per gallon under the provisions of "The Special Tax on Petroleum Products Law." Of the revenue collected, TCA 67-3805 provides for the annual distribution of $7,438,000 to city governments on a basis of population.

This revenue is a general fund revenue to be used for street maintenance, construction and public transportation purposes. Checks are forwarded monthly.

Gasoline and Motor Fuel Tax (State Street Aid Revenues) - A portion of revenues produced by the nine cent (9¢) per gallon tax on gasoline and the twelve cent (12¢) motor fuel tax are distributed to cities on the basis of population. Together these sources produce revenue commonly called "state street aid funds." State street aid checks are forwarded monthly.

These funds must be accounted for in a separate State Street Aid Fund and can only be used for street maintenance and/or construction purposes. An MTAS Technical Report is available which describes all permitted uses.

* Municipal Population (Estimated 2,639,000)

The 1980 federal census figures have been made available by the U.S. Bureau of the Census and were provided to cities in an MTAS Technical Bulletin dated 5/15/81. These figures generally reflect the population basis on which state shared taxes will be distributed.

There are some exceptions to this published population data where the figures provided do not indicate precisely the basis upon which state shared taxes will be distributed, for example:

1. The census figures published do not contain population added to cities as a result of annexations occurring after early, 1980;

2. Incorporations since the census was conducted (in spring, 1980) are not reflected (such as Gruetli-Laager, Farragut, etc.) in the data;

3. Successful challenges to population data if sustained before June 30, 1981; and,

4. Other miscellaneous exceptions.

Any appeals by cities regarding the census figures must be completely resolved prior to July 1, 1981. If not, the figures published (exceptions noted) will be the basis for state-shared tax distributions.