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FEDERAL COURT RULES IN FAVOR OF TENNESSEE, KENTUCKY HALTS UNCONSTITUTIONAL TAX MANDATE

Nashville – A U.S. district court has ruled in favor of Tennessee Attorney General Herbert H. Slatery III and Kentucky Attorney General Daniel Cameron in their lawsuit to stop the Biden Administration from enforcing an unconstitutional tax mandate. The mandate in the American Rescue Plan Act prohibits states from providing tax relief to their citizens.

The American Rescue Plan Act was passed by Congress and signed into law on March 11, 2021. Of the nearly \$2 trillion included in the Act, approximately \$200 billion will assist state governments with COVID relief. But, as a condition of receiving the COVID aid, the Act required states to comply with a tax mandate that prevents it from lowering taxes for its citizens for four years.

The States argued that the tax mandate is unconstitutional and will prevent state legislatures from enacting beneficial tax policies. The court agreed, writing in the opinion that the federal funds “come with a price—states must forego the exercise of important flexibility and power when it comes to making their own taxing decisions.”

“We are very pleased with the court’s decision,” said General Slatery. “Tennessee should not have to hand over its constitutional right to establish state tax policy in exchange for federal relief from this pandemic.”

In its decision, the court ruled that the American Rescue Plan Act’s tax mandates were unconstitutional. The court writes, “Thus, where the federal government unduly influences the States’ power to set their own tax policies, the federal government oversteps its bounds. Not only does this threaten the dual nature of our federalist system, but such federal overreach threatens individual liberties that ‘derive from the diffusion of sovereign power.’”

Access the ruling here:

<https://www.tn.gov/content/dam/tn/attorneygeneral/documents/pr/2021/pr21-36-opinion.pdf>

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