

State-shared Taxes

- For fiscal year 2016-17, the overall county share of the \$1.33 billion in state-shared tax revenue is 37.5%, and the overall city share is 62.5%. See Table 1.
- The IMPROVE Act of 2017 scheduled increases in the gasoline and motor fuel taxes through fiscal year 2019-20 of \$69.4 million per year for counties and \$34.7 million per year for cities (See tables 1a and 1b).
- The Hall income tax on dividends and interest is being phased out and is scheduled to be totally phased out on January 1, 2021. Total Hall income tax revenue peaked at \$324 million for fiscal year 2015-16, the last year the rate was 6%. See Table 1c.
- Since fiscal year 2002-03, two new taxes became state-shared taxes, the business tax, which was formerly a local business tax, and the fantasy sports tax. See table 1d.
- The increases in the gasoline and motor fuel taxes, and the phase out of the Hall income tax, will decrease the percentage of state-shared taxes that cities receive and increase counties' share. See Table 1e.
- Of the \$1.33 billion state-shared tax revenue total, \$350.8 million is restricted in its use; it's mostly for roads (gasoline and motor fuel taxes) and education (mixed drink tax). See table 3.

Local Taxes

- Cities and counties have different maximum rates for some local taxes (hotel taxes, litigation taxes, and IMPROVE Act surcharges). See Table 4.

State Distributions to County Areas

- Per capita state revenue distributions to county areas for fiscal year 2016-17 in Tennessee vary from \$1,172 to \$9,942. The average per capita distribution was \$2,064 for fiscal year 2016-17. See Table 6.

- Of the \$13.9 billion in state distributions to county areas for fiscal year 2016-17, \$193.5 million are grants, most of which is for child and family management grants (\$149.2 million). See Table 7.

Local Tax Reliance by Source

- Counties rely on property tax revenue more than do cities, and cities rely on local option sales tax revenue more than do counties. Other local taxes include the hotel taxes and wheel taxes. See Table 9.

Trend in State-Shared Taxes

- Both counties' and cities' share of state-shared tax revenues have decreased since 1970 while the state's share increased. Counties' share decreased more (from 6.27% in 1970 to 3.58% in 2017) than cities' share did (from 6.34% in 1970 to 5.66% in 2017). See Table 14.

Federal and State Aid to Local Governments and Schools

- Local governments in Tennessee rely less on their own sources of revenue (local taxes and local charges) than local governments in the United States overall. The difference is made up in state and other local government aid. See tables 15 and 17.
- State aid to local governments and school districts in Tennessee was \$7.2 billion in fiscal year 2014-15. Most of that was for elementary and secondary education (\$5.2 billion). See table 20.

City Revenue

- Per capita general revenue of cities in Tennessee, at \$1,408.77, was greater than in any other state in the southeast United States in fiscal year 2011-12, which ranged from \$712.83 (North Carolina) to \$1,386.94 (Virginia). See Table 18.