

RESOLUTION NO. _____

A RESOLUTION TO SUPPORT RESTORING THE HISTORIC
REVENUE SHARING RELATIONSHIP BETWEEN THE STATE
OF TENNESSEE AND ITS LOCAL GOVERNMENTS AND TO
RETURN THE LOCAL SHARE OF THE SINGLE ARTICLE CAP
TO LOCAL GOVERNMENTS

WHEREAS, Tennessee's municipal communities are the economic engine of the state and today 92% of the state's total sales tax collections are generated within municipal boundaries; and

WHEREAS, such economic growth is intentional and when it occurs, it is financed largely through city taxes for police, fire, streets, water and sewer, schools, parks, libraries, and other amenities that attract and retain businesses and make Tennessee's communities desirable places for people to raise a family, start a business, and visit; and

WHEREAS, in 1947, the state began sharing 4.6% of each year's total state sales tax collections with cities for the purposes of recognizing the collective contribution of cities as the state's economic engine; thereby acknowledging that city residents incur a local tax burden that is directly attributable to financing, developing, and maintaining an economic environment that continues to generate a healthy portion of the sales tax revenue accruing to the state; and

WHEREAS, when confronting serious fiscal challenges in 2002, the state increased the state sales tax rate from 6% to 7%, and increased the single article cap from \$1,600 to \$3,200, so that the tax levied on the amount between \$1,600 and \$3,200 is subject to a combined state and local option sales tax of 9.75%; and

WHEREAS, since 2002, the state has retained 100% of the state's sales tax revenue from the 1% increase from 6% to 7% as well as the additional 2.75% portion of the sales tax levied on single item purchases between \$1,600 and \$3,200, even though the additional 2.75% had previously been reserved for local government; and

WHEREAS, in the 20 years since these provisions took effect, these two changes have combined to result in the state realizing nearly \$2 billion in additional sales tax collections that would have benefitted local taxpayers, including all K-12 education, had the historic revenue sharing relationship, including the 2.75% of the single article cap, not been altered in 2002; and

WHEREAS, in the 20 years since these provisions took effect, Tennessee's state leaders have managed the budget with great care and a strong fiscally conservative approach to create a dynamic and growing economy with eight consecutive years of surplus revenues; and

WHEREAS, in the 20 years since these provisions took effect, the state's sustained economic and fiscal performance have erased the conditions which led to these austerity measures in 2002; and

WHEREAS, there is expected to be a surplus of recurring revenues produced by the economic engines of our state and managed by its leaders; and

WHEREAS, as a result of the accolades bestowed upon the state for its economic success, its fiscally conservative policies, and strong leadership, the state has garnered an enviable reputation as the state in which to live, work, and play; and

WHEREAS, a consequence of this reputation has led to continued and substantial economic growth and an increase and realignment of the state's population, thereby increasing the fiscal pressures on municipal governments to meet demands to expand and maintain

infrastructure, to deliver essential services, to provide the amenities that allow for continued quality of life for Tennessee's citizens, and to promote an economic environment that allows Tennessee's businesses and communities to prosper; and

WHEREAS, these fiscal pressures create the need for recurring dollars to keep pace with this demand and to counteract the effects of inflation; and

WHEREAS, realigning the provisions that took effect in 2002 will help to offset these fiscal pressures and to provide relief to local taxpayers shouldering the burden of meeting this demand which is associated with generating the sales tax revenues accruing to the state;

Now therefore,

BE IT RESOLVED BY THE BOARD OF MAYOR AND ALDERMEN AS FOLLOWS:

SECTION I. That the board of mayor and aldermen of the City of Kingsport, on behalf of its residents, formally supports the restoration of the historic revenue sharing relationship of recurring state shared sales taxes in order for cities to once again receive 4.6% of all state general fund sales tax revenue, and also supports the state allowing local governments to receive the 2.75% of the traditionally local share of sales tax revenues realized because of the increase in the amount of the single article cap in 2002.

SECTION II. That this resolution shall take effect from and after its adoption, the public welfare requiring it.

ADOPTED this the 21st day of March, 2023.

PATRICK W. SHULL, MAYOR

ATTEST:

ANGELA MARSHALL, DEPUTY CITY RECORDER

APPROVED AS TO FORM:

RODNEY B. ROWLETT, III, CITY ATTORNEY