Restoring the Historic Revenue Sharing Relationship of State Shared Sales Taxes

A call to action for our cities and towns

In 2002, Tennessee shifted the balance of sales tax revenue to address a state budget crisis. While this move helped the state avoid fiscal collapse, it came at a steep cost to local governments and taxpayers.

What Happened:

- The state altered the historical revenue-sharing agreement, keeping more sales tax revenue.
- Local governments lost nearly $2 billion in funding that would have supported public safety, schools, roads, and all the services that make our communities desirable places to live, raise a family, and start and grow a business.

Why It Matters Now:

- **Crisis is over:** Tennessee's fiscal health is strong, with sustained economic growth.
- **Fairness delayed:** Local taxpayers continue to shoulder the burden.
- **$2 billion impact:** Revenue that could have revitalized local communities remains in state coffers.

The Case for Change:

- The austerity measures of 2002 are no longer necessary.
- Tennessee has the recurring revenues to fully restore the original revenue-sharing agreement.
- Investing more sales tax revenues in local governments improves daily life for citizens and fuels business growth—by enhancing public safety, protecting property, maintaining infrastructure, and creating vibrant, thriving communities that attract residents, customers, and new investments.

Why Act Now:

- The state's economic success depends on strong, well-funded cities and towns.
- Delaying action only deepens the burden on local taxpayers.

The Solution:
Pass a law to restore the historical revenue-sharing agreement, ensuring that sales tax revenue supports the local communities that generate it.

Bottom Line:
Returning more of the state's sales tax revenue to those municipalities responsible for its generation recognizes the burden borne by municipal taxpayers and invests in the continued strength and vitality of Tennessee's cities and towns.

Tennessee Municipal League -- 226 Anne Dallas Dudley Blvd., STE 710, Nashville, TN 37219