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# Severance Taxes

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Dear Reader:

The following document was created from the CTAS website ([ctas.tennessee.edu](http://ctas.tennessee.edu)). This website is maintained by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other CTAS website material.

Sincerely,

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## Severance Taxes

Reference Number: CTAS-227

## Coal Severance Tax

Reference Number: CTAS-1612

*Authority.* T.C.A. §§ 67-7-101 through 67-7-110.

*Description.* The state levies a per ton severance tax on all coal products severed from the ground in Tennessee. T.C.A. § 67-7-104. The coal severance tax is \$1.00 per ton. "Coal products" means coal ore and any other substance that might be severed from the earth by the process of producing salable coal, by whatever method of severance used. T.C.A. § 67-7-101.

*Distribution.* According to T.C.A. § 67-7-110, the tax is collected by the Tennessee Department of Revenue and is distributed as follows:

1. 1.125% is retained by the department of revenue and credited to its current service revenue to cover administrative expenses and tax collection expenses.
2. 98.875% to the county in which the coal products were severed.
  - a. 50 percent for the educational systems of the county.
  - b. 50 percent for county highways and stream cleaning systems.

## Oil and Gas Severance Tax

Reference Number: CTAS-1613

*Authority.* T.C.A. §§ 60-1-301 through 60-1-302.

*Description.* The state levies a tax of 3 percent of the sales price of all gas and oil removed from the ground in Tennessee. T.C.A. § 60-1-301.

*Distribution.* The Tennessee Department of Revenue collects the tax and distribution is made as follows:

1. One third (1/3) to the county where the wellhead is located.
2. Two thirds (2/3) to the state general fund. T.C.A. § 60-1-301.

## County Mineral Severance Tax (General Law)

Reference Number: CTAS-1614

*Authority.* T.C.A. §§ 67-7-201 through 67-7-212.

*Description.* This is a local option tax wherein a county legislative body by resolution adopted by a two-thirds majority vote may levy a tax on all sand, gravel, sandstone, chert and limestone severed from the ground within the county. T.C.A. §§ 67-7-201, 67-7-212. The county legislative body sets the rate, but the rate cannot exceed 15 cents per ton. T.C.A. § 67-7-203. A tax authorized under this Section may be repealed by a resolution passed by a two-thirds majority of the county legislative body. T.C.A. § 67-7-201.

*Distribution.* The Tennessee Department of Revenue collects this tax. T.C.A. § 67-7-204. All revenues collected, less administrative expenses, are remitted to the county trustee quarterly and become a part of the county road fund. T.C.A. § 67-7-207.

## County Mineral Severance Tax (Private Act)

Reference Number: CTAS-1615

Several counties have enacted mineral severance taxes by private act. Private acts on this subject are no longer authorized, but private acts on this subject enacted prior to June 5, 1984, remain in effect, except

that the rate cannot exceed 15 cents per ton. T.C.A. §§ 67-7-209, 67-7-212. The minerals subject to the tax are delineated in each county's private act, along with provisions regarding rate, collection and distribution of the tax proceeds. Currently, the following counties have a mineral severance tax levied by private act: Benton, Carroll, Carter, Decatur, Giles, Humphreys, Roane, Rutherford, Unicoi, Weakley, White, and Williamson.

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