County Technical Assistance Service
INSTITUTE *for* PUBLIC SERVICE

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Local Option Transit Surcharges

Dear Reader:

The following document was created from the CTAS website (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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Local Option Transit Surcharges

Reference Number: CTAS-2462

As part of the IMPROVE Act adopted in 2017, local governments are now authorized to impose a local option transit surcharge on certain local privilege taxes. Counties must have a population over 112,000 and cities must have a population over 165,000 according to the 2010 census or any subsequent census in order to levy the surcharge.

The surcharge may be levied on the following local privilege taxes: local option sales tax, business tax, wheel tax, rental car tax, tourist accommodation tax or hotel/motel tax and the residential development tax.

The surcharge must be approved by a referendum and the city and county cannot both levy the surcharge. There are statutory maximum rates of the surcharge and the surcharge is to be collected in the same manner as the underlying privilege tax.

Revenue from the surcharge must be used for a public transit system.

T.C.A. § 67-4-3201 *et seq*.

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