

HOUSE BILL 21

By Davis

AN ACT to amend Tennessee Code Annotated, Title 57,  
Chapter 3 and Title 67, relative to taxation.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 67-6-228(a), is amended by deleting the subsection and substituting instead the following:

(a) Notwithstanding this chapter to the contrary, except as otherwise provided in subsections (b) and (c), the retail sale of food and food ingredients shall not be taxed.

SECTION 2. Tennessee Code Annotated, Section 67-6-228, is amended by adding the following language as a new subsection (c):

Notwithstanding § 67-6-702(a) to the contrary, food and food ingredients are taxable under part 7 of this chapter.

SECTION 3. Tennessee Code Annotated, Section 67-6-103(c)(2), is amended by deleting the following language:

Revenue generated from one-half percent (0.5%) of the tax rate provided in § 67-6-228 shall continue to be deposited in the state general fund and earmarked for education purposes in kindergarten through grade twelve (K-12) regardless of whether the tax rate provided in § 67-6-228 is reduced below six percent (6%).

SECTION 4. Tennessee Code Annotated, Section 67-6-103(u), is amended by deleting the subsection and substituting instead the following:

(u) Notwithstanding the allocations provided for in subsection (a), there must be allocated and distributed to the counties and municipalities an amount substantially equal to the amount that would have been allocated to the counties and municipalities under subdivision (a)(3) but for the exemption from sales tax applicable to the retail sale

of food and food ingredients. The allocation provided in this subsection (u) must be based on the reporting of exempt sales of food and food ingredients and any other data or information the commissioner deems relevant.

SECTION 5. Tennessee Code Annotated, Section 67-6-329(a), is amended by adding the following as a new, appropriately designated subdivision:

( ) Food and food ingredients;

SECTION 6. Tennessee Code Annotated, Section 67-6-329(a)(18), is amended by deleting the language "or food and food ingredients".

SECTION 7. Tennessee Code Annotated, Section 67-6-229, is amended by deleting the language "food and food ingredients or".

SECTION 8. Tennessee Code Annotated, Section 57-3-802(1), is amended by deleting the language "that derives at least twenty percent (20%) of its sales taxable sales from the retail sale of food and food ingredients for human consumption taxed at the rate provided in § 67-6-228(a)" and substituting instead the language "that derives at least twenty percent (20%) of its sales from the retail sale of food and food ingredients for human consumption".

SECTION 9. Tennessee Code Annotated, Section 57-3-806(d)(1), is amended by deleting the language "must maintain a minimum of twenty percent (20%) of the licensee's sales taxable sales from the retail sale of food and food ingredients for human consumption taxed at the rate provided in § 67-6-228(a)" and substituting instead the language "must maintain a minimum of twenty percent (20%) of the licensee's sales from the retail sale of food and food ingredients for human consumption".

SECTION 10. This act takes effect July 1, 2025, the public welfare requiring it.