

HOUSE BILL 1367

By Sargent

AN ACT to amend Tennessee Code Annotated, Title 67,
Chapter 2, relative to taxation of income received
from stock dividends and interest on bonds.

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

SECTION 1. Tennessee Code Annotated, Section 67-2-102, is amended by deleting the section in its entirety and by substituting instead the following:

(a) An income tax shall be levied and collected on incomes derived by way of dividends from stocks or by way of interest on bonds of each person, partnership, association, trust and corporation in this state who received, or to whom accrued, or to whom was credited during any year income from the sources enumerated in this subsection, except as otherwise provided in this chapter.

(b) The income tax shall be levied and collected annually by the state pursuant to this chapter according to the following schedule:

<u>For tax years that begin</u>	<u>Tax Rate</u>
Prior to January 1, 2015	6.00%
On or after January 1, 2015	4.75%
On or after January 1, 2016	3.92%
On or after January 1, 2017	3.36%
On or after January 1, 2018, and for subsequent tax years	2.25%

SECTION 2. Tennessee Code Annotated, Section 67-2-119, is amended by deleting the section in its entirety and by substituting instead the following:

(a)

(1) Of the taxes collected by the state under this chapter upon income from stocks and bonds taxable at the applicable rate provided in § 67-2-102(b), and after any deduction for necessary expenses for administration of this chapter pursuant to § 67-2-117, the following amounts shall be distributed among municipalities and counties in accordance with subdivision (a)(4):

<u>For tax years that begin</u>	<u>Local Distribution</u>
Prior to January 1, 2015	37.5%
On or after January 1, 2015	47.4%
On or after January 1, 2016	57.4%
On or after January 1, 2017, and prior to January 1, 2018	67%

(2) After the distribution to municipalities and counties pursuant to subdivision (a)(1), any funds remaining shall be paid into the general fund of the state treasury.

(3) For tax years that begin on or after January 1, 2018, and for subsequent tax years, after any deduction for necessary expenses for administration of this chapter pursuant to § 67-2-117, all revenue from the taxes collected by the state under this chapter upon income from stocks and bonds taxable at the rate of two and one-quarter percent (2.25%) per annum shall be distributed among municipalities and counties in accordance with subdivision (a)(4).

(4)

(A) Where a taxpayer residing within the corporate limits of any municipality pays a tax imposed by the state at the applicable rate provided in § 67-2-102(b), then the net tax collected from the taxpayer shall be returned to the municipality within which the taxpayer resides in

the amount required to be distributed pursuant to subdivision (a)(1) or (a)(3), whichever is applicable.

(B) Where a taxpayer residing in a county, but outside the corporate limits of any municipality, pays a tax imposed by the state at the applicable rate provided in § 67-2-102(b), then the net tax collected from the taxpayer shall be returned to the county within which the taxpayer resides in the amount required to be distributed pursuant to subdivision (a)(1) or (a)(3), whichever is applicable.

(b) In each instance, the payment by the state to municipalities and counties covering collections made under this section during any fiscal year shall be made on or before July 31 immediately following the close of that year.

SECTION 3. Tennessee Code Annotated, Section 67-2-103, is amended by deleting the section in its entirety and by substituting instead the following:

For tax years that begin prior to January 1, 2018, subject to § 67-2-119, the tax provided for in this chapter shall be for state purposes only, and no county or municipality shall have power to levy the tax. For tax years that begin on or after January 1, 2018, and for subsequent tax years, the tax provided for in this chapter shall be administered and levied by the state for county and municipal purposes only.

SECTION 4. This act shall take effect upon becoming a law, the public welfare requiring it.