

An Ordinance to exempt the retail sale of food and food ingredients from the increase in the local option sales tax rate adopted by the City of Knoxville.



**CITY OF KNOXVILLE, TENNESSEE**

**City Council**

**AGENDA INFORMATION SHEET**

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**AGENDA DATE:** June 10, 2025

**DEPARTMENT:** Finance Department

**DIRECTOR or DESIGNEE:** Boyce H. Evans

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**AGENDA SUMMARY**

An Ordinance to exempt the retail sale of food and food ingredients from the increase in the local option sales tax rate adopted by the City of Knoxville.

**COUNCIL DISTRICT(S) AFFECTED**

All Districts

**BACKGROUND**

As groceries are often a family's largest expense, the City would like to exclude groceries from the half-cent sales tax increase being submitted to the voters. Several other items also are not included in the increase in local option sales tax. However, carving out groceries is an action that City Council has the ability to address directly. Additional details are available on the City's website at [knoxvilletn.gov/localoption](http://knoxvilletn.gov/localoption).

**ESTIMATED PROJECT SCHEDULE**

The ordinance will become effective immediately. Should voters pass the referendum for the sales tax increase, the increased rate would take effect on March 1, 2026 and thereby this ordinance excluding groceries from that increase would as well.

**PRIOR ACTION/REVIEW**

**FISCAL INFORMATION**

The additional ½ cent increase in local option sales tax is estimated to bring in approximately \$47 million dollars annually with the exclusion of groceries.

# ORDINANCE

AN ORDINANCE OF THE COUNCIL OF THE CITY OF KNOXVILLE TO EXEMPT THE RETAIL SALE OF FOOD AND FOOD INGREDIENTS FROM THE INCREASE IN THE LOCAL OPTION SALES TAX RATE ADOPTED BY THE CITY OF KNOXVILLE.

ORDINANCE NO: \_\_\_\_\_

REQUESTED BY: Finance Department

PREPARED BY: Law

APPROVED ON FIRST READING: \_\_\_\_\_

APPROVED ON SECOND READING: \_\_\_\_\_

APPROVED AS AN EMERGENCY MEASURE: \_\_\_\_\_

MINUTE BOOK: \_\_\_\_\_ PAGE \_\_\_\_\_

**WHEREAS**, the Council (the “Council”) of the City of Knoxville, Tennessee (the “City”) has met pursuant to proper notice; and

**WHEREAS**, the Council has on the date hereof adopted an ordinance to increase the local option sales tax rate imposed in the City from two and one-quarter percent (2.25%) to two and three-quarters percent (2.75%), which is the maximum rate authorized under applicable State law; and

**WHEREAS**, pursuant to applicable State law, and in particular Section 67-6-702(a)(1)(B)(ii)(b) of the Tennessee Code Annotated, the Council of the City is authorized to exempt from this one-half percent increase in the local option sales tax rate the sale of food and food ingredients, as described in Section 67-6-228(a) of the Tennessee Code Annotated.

**NOW THEREFORE BE IT ORDAINED BY THE COUNCIL OF THE CITY OF KNOXVILLE:**

**SECTION 1:** Pursuant to Section 67-6-702(a)(1)(B)(ii)(b) of the Tennessee Code Annotated, the City hereby exempts from the increase in the local option sales tax rate of one-half percent (.5%) approved by ordinance of the City Council as of the date hereof the retail sale of food and food ingredients, as described in Section 67-6-228(a) of the Tennessee Code Annotated, within the City.

**SECTION 2:** The Mayor of the City is hereby instructed to file a certified copy of this ordinance with the Department of Revenue of the State of Tennessee within the time period required by applicable State law, particularly Section 67-6-702(a)(1)(B)(iii) of the Tennessee Code Annotated.

**SECTION 3:** If any section, paragraph or provision of this ordinance shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this ordinance.

**SECTION 4:** This Ordinance shall take effect from and after its passage, the welfare of the City requiring it, provided that the exemption of food and food ingredients from the increase in the local option sales tax shall become effective on the date that such increase becomes effective.

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Presiding Officer of the Council

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Recorder

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