

- d. An Ordinance levying an additional one-half of one percent local option sales tax within the City of Knoxville in addition to the existing county-wide rate on sales within the county.



CITY OF KNOXVILLE, TENNESSEE

City Council

AGENDA INFORMATION SHEET

AGENDA DATE: June 24, 2025

DEPARTMENT: Finance Department

DIRECTOR or DESIGNEE: Boyce H. Evans

AGENDA SUMMARY

An Ordinance levying an additional one-half of one percent local option sales tax within the City of Knoxville in addition to the existing county-wide rate on sales within the county.

COUNCIL DISTRICT(S) AFFECTED

All Districts

BACKGROUND

If approved on both first and second reading, this ordinance would automatically trigger the local option sales tax item to appear on the November 2025 ballot for voting by the residents of the City of Knoxville. This item would mean that the two and one-quarter percent (2.25%) local option sales tax rate currently levied throughout Knox County would be increased to two and three-quarters percent (2.75%) in the City of Knoxville to support investments in neighborhoods. Knoxville is a growing city and so are the infrastructure needs. This ½ cent local option sales tax increase will focus on investing in the needs of our local neighborhoods. From parks, sidewalks and paving, to greenways, traffic calming and affordable housing, among other needs, this sales tax increase will allow our City to progress in approximately five years, what would normally take about 20 years to complete. This type of tax increase is shared by all those visiting Knoxville rather than just the residents. Anderson, Blount, Sevier, Jefferson, Grainger counties surrounding Knoxville have all increased their tax to 2.75% many years ago. Additional details are available on the City's website at knoxvilletn.gov/localoption. Should this referendum be approved by voters, the City will have a project tracker on the website to allow residents to follow the progress of the various initiatives.

ESTIMATED PROJECT SCHEDULE

The ordinance will become effective immediately and set forth the various steps required to put the referendum on the November 4, 2025 ballot for the City election. Should voters pass the referendum, it would take effect on March 1, 2026.

PRIOR ACTION/REVIEW

Approved on first reading at the 6/10/2025 meeting by a vote of 7-1.

FISCAL INFORMATION

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

ORDINANCE

AN ORDINANCE OF THE COUNCIL OF THE CITY OF KNOXVILLE LEVYING AN ADDITIONAL ONE-HALF OF ONE PERCENT LOCAL OPTION SALES TAX WITHIN THE CITY OF KNOXVILLE IN ADDITION TO THE EXISTING COUNTY-WIDE RATE ON SALES WITHIN THE COUNTY.

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, there is now in effect in Knox County a county-wide local option sales tax at a rate of two and one-quarter percent (2.25%); and

WHEREAS, Part 7 of Chapter 6 of Title 7 of the Tennessee Code Annotated, known as the 1963 Local Option Revenue Act (the “Act”), and in particular Section 67-6-703(a)(2) of the Act, authorizes the City to levy a local option sales tax, in addition to the existing county-wide local option sales tax, equal to the difference between the current rate in the County and the current maximum rate under the Act of two and three-quarter percent (2.75%); and

WHEREAS, Council has determined that it is in the best interest of the City to increase the local option sales tax rate by one-half of one percent (.5%) within the City and desires to adopt this ordinance to effectuate such increase subject to the approval of the voters and to the other requirements of the Act.

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

SECTION 1: Subject to the referendum required by the Act, the local option sales tax of two and one-quarter percent (2.25%) imposed on a county-wide basis in Knox County shall be increased to two and three-quarters percent (2.75%) in the City, which additional tax shall be in addition to the current state rate on taxable privileges exercised within the City.

SECTION 2: Pursuant to the Act, the Knox County Election Commission is hereby directed to hold a referendum on whether to increase the Local Option Sales Tax as described in Section 1 above. The Election Commission is directed to hold the election at such time as is required or permitted by applicable law after receipt by the Election Commission of a certified copy of this Ordinance, to make an official canvass of the election returns and report the results of the election to the City.

SECTION 3: The proposition as it is to appear on the ballot at said referendum shall be as follows:

Shall the two and one-quarter percent (2.25%) local option sales tax rate currently levied throughout Knox County be increased to two and three-quarters percent (2.75%) in the City of Knoxville?

FOR _____

AGAINST _____

SECTION 4: If a majority of those voting in said referendum vote for the tax rate imposed by this Ordinance, collection of the increased tax levied by this Ordinance shall begin on the first day of a month occurring thirty or more days after the Knox County Election Commission makes its official canvass of the election returns but not sooner than March 1, 2026.

SECTION 5: 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 6: This Ordinance shall take effect from and after its passage, the welfare of the City requiring it, provided that the collection of taxes pursuant to the increase in the local option sales tax rate approved herein shall become effective on March 1, 2026.

Presiding Officer of the Council

Recorder

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