

BURR ALERT

Is Tennessee "Retiring" Its Hall Income Tax?

By Burr & Forman's Tax Group

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Tennessee has long been known as a retirement friendly state and usually ranks in the Top 10 of any list identifying the best places in the U.S. for retirement. That reputation is about to be enhanced as Tennessee's Legislature voted last week to permanently retire the state's limited personal income tax. While the state has never had a "true" regular personal income tax, many new residents are surprised when they learn about Tennessee's Hall income tax on dividends and certain interest. Assuming Governor Haslam signs the legislation forwarded to him last Friday, the Hall income tax will be forcibly retired effective January 1, 2022, finally allowing Tennessee to join those few other states choosing to not impose any taxes on personal income.

Created in 1929, the Tennessee Hall income tax has historically been imposed at a rate of 6% on dividends and certain interest income. Like most taxes, though, there are specific exceptions; excluded from the Hall tax are interest from CD's, from bank savings and money market accounts, from government bonds, from credit union accounts and from a few other types of interest and/or dividends. For married filing joint taxpayers, the tax applies only after the Hall taxable income reaches \$2,500; for single taxpayers, the exemption amount is \$1,250. Additional exemptions exist for taxpayers who are age 65 or older and whose total income is below \$68,000 for joint filers and \$37,000 for singles.

Under last week's compromise legislation, the 2016 rate of the Hall tax is to be reduced from last year's rate by 1%; the rate is reduced from 6% to 5%. In the proposed law, the Tennessee Legislature further states that it intends for and hopes that the tax rate will continue to be reduced by 1% in each subsequent year (but whether additional reductions actually occur will be subject to the passage of additional legislation; so the enactment of future rate reductions is not a foregone conclusion, future legislators could choose to ignore the wishes of the 2016 Legislature as expressed in the new law). Nevertheless, under new Tennessee Code Annotated ("T.C.A.") Section 62-7-124, as proposed, the Hall income tax is eliminated for all years after 2021. In other words, once the legislation has been signed by the governor, whether the Hall tax rate is ever reduced again or not, its repeal is a "done deal" beginning January 1, 2022.

The legislation, House Bill 813/Senate Bill 47, was forwarded to Governor Haslam for his signature or other action last Friday, April 22.

If you would like more information on the Tennessee Hall income tax or any other state or local tax matter affecting you or your business, please contact any of the following Burr attorneys:

[Ed Brown](#), [Jim McCarten](#) or [Reid Barrineau](#) in Burr's Atlanta office at (404) 815-3000;
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