



County Technical Assistance Service

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Sources of Revenue for the Highway Department

Dear Reader:

The following document was created from the CTAS electronic library known as e-Li. This online library is maintained daily by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other e-Li material.

Sincerely,

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Sources of Revenue for the Highway Department

Reference Number: CTAS-2007

All counties rely heavily on county-aid highway funds and to a lesser degree on state-aid highway funds to support the activities of the county highway department. These basic state sources are supplemented from time to time by special state sponsored activities such as bridge funds which are in turn sometimes supported in whole or part by federal funds. Many counties also appropriate local tax revenue for the use of the county highway department. Petroleum products taxes and state severance taxes are chief sources of revenue for the county highway department. The most common local sources are the property tax, wheel tax and mineral severance tax. All revenue, from whatever source, must be budgeted and appropriated by the county legislative body before the county highway officials can use the funds. Although counties may borrow funds through notes or bonds, ultimately this borrowing must be paid off from revenue from one or more of these sources.

The property tax is the most common form of county tax. In some counties a portion of the total property tax rate is allocated to the county highway department. Many counties have a special property tax by private act with proceeds earmarked for the highway department. The property tax is one of the few taxes wherein the rate of the county tax is not limited by state law and is subject to the discretion of the county legislative body.

These taxes are described in more detail under the [Revenue](#) topic.

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