



County Technical Assistance Service

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Government Bonds and Notes

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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Government Bonds and Notes

Reference Number: CTAS-1530

The principal and interest on bonds or notes issued by the state of Tennessee for any public purpose are exempt from taxation, except for inheritance, transfer and estate taxes.¹ The principal and interest on bonds or notes issued by any county, incorporated town or city, for any public purpose are exempt from taxation by the state or by any county or municipality in this state.² United States bonds are exempt from property taxation.³ A nonexclusive list of exempt governmental bonds and notes includes the following:

1. bonds and notes issued pursuant to the Tennessee Local Development Authority Act, T.C.A. § 4-31-101 *et seq.*, and the income therefrom are exempt from taxation by the state or any local governmental unit, except inheritance, transfer and estate taxes;
2. bonds issued pursuant to the Revenue Bond Law, T.C.A. § 7-34-101 *et seq.*, and the income therefrom are exempt from all state, county and municipal taxation except inheritance, transfer and estate taxes;⁴
3. bonds issued pursuant to the provisions of the Industrial Building Revenue Bond Act of 1951, T.C.A. § 7-37-101 *et seq.*, and the income therefrom are exempt from all state, county and municipal taxation except inheritance, transfer and estate taxes, except as otherwise provided by law;⁵
4. bonds issued by any municipality to provide sufficient funds to carry out energy production pursuant to the provisions of T.C.A. § 7-54-101 *et seq.*, and the income therefrom are exempt from all state, county and municipal taxation except inheritance, transfer and estate taxes;⁶
5. bonds and notes issued by a county pursuant to the Tennessee Home Mortgage Act, T.C.A. § 7-60-101 *et seq.*, and the income therefrom are exempt from taxation, except for inheritance, transfer and estate taxes;⁷
6. bonds issued by an authority pursuant to the Port Authority Act, T.C.A. § 7-87-101 *et seq.*, and the income therefrom are exempt from all state, county and municipal taxation, except for inheritance, transfer and estate taxes, and except as otherwise provided by law;⁸
7. bonds or notes issued by a local government pursuant to the Local Government Public Obligations Act of 1986, T.C.A. § 9-21-101 *et seq.*, and the income therefrom are exempt from all state, county and municipal taxation except for inheritance, transfer and estate taxes, and except as otherwise provided by law;⁹
8. bonds issued by an authority pursuant to the Airport Authorities Act, T.C.A. § 42-3-101 *et seq.*, and the income therefrom are exempt from all taxes;¹⁰
9. bonds issued by an authority pursuant to the Metropolitan Airport Authority Act, T.C.A. § 42-4-101 *et seq.*, and the income therefrom are exempt from all state, county and municipal taxation except for inheritance, transfer and estate taxes, and except as otherwise provided by law;¹¹ and
10. school bonds issued pursuant to the provisions of T.C.A. § 49-3-1002 and the income therefrom are exempt from all state, county and municipal taxation except for inheritance, transfer and estate taxes and except as otherwise provided by law.¹²

¹T.C.A. § 67-5-205(a)(1).

²T.C.A. § 67-5-205(a)(2) and (3).

³31 U.S.C. § 3124.

⁴T.C.A. § 7-34-116(b).

⁵T.C.A. § 7-37-114.

⁶T.C.A. § 7-54-106.

⁷T.C.A. § 7-60-211.

⁸T.C.A. § 7-87-109(d).

⁹T.C.A. § 9-21-117.

¹⁰T.C.A. § 42-3-111(d).

¹¹T.C.A. § 42-4-109(d).

¹²T.C.A. § 49-3-1002(c).

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