

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1796 – HB 2156

April 19, 2016

SUMMARY OF ORIGINAL BILL: Requires the property value limits of property tax relief for elderly low-income; disabled; disabled veterans; and surviving spouse homeowners to increase proportionately with any change in inflation as measured by the United States Bureau of Labor Statistics' Consumer Price Index for All Urban Customers (CPI-U) and to be rounded to the nearest \$100 for tax year 2016 and subsequent years.

Revises the calculation of assessed property value for the purposes of disabled veteran homeowners' and their surviving spouses' property such that a sliding scale shall be used that multiplies the full market value of the such owners' property up to the \$100,000 limit or according to the percentage increase in the CPI-U, as appropriate, by an appropriate percentage that is in proportion to the applicant's income. Veterans and their surviving spouses that received property tax relief in tax year 2016 shall use the current system of property relief calculation.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – Exceeds \$209,000/FY16-17
Exceeds \$200,000/FY17-18 and Subsequent Years

SUMMARY OF AMENDMENT (016311): Deletes all language after the enacting clause. Specifies that for tax years 2016 and thereafter, a disabled veteran and surviving spouse's combined annual income, excluding income from federal disability payments, shall not exceed \$60,000 or such other amount as set forth in the general appropriations act in order to be eligible to receive state property tax relief. Increases the amount of full property value considered for property tax relief from \$100,000 to \$125,000 for eligible disabled veterans and surviving spouses who are 75 years of age or older. Increases the property value limit for eligible low income elderly and low income disabled property tax relief recipients from \$23,000 of the property's assessed value to \$23,500 of the property's assessed value.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures – Exceeds \$848,300

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Assumptions for the bill as amended:

- This act shall take effect upon becoming a law; therefore, it is assumed the first tax year that will be impacted is 2016.
- Given that property tax notices will be sent to taxpayers in late 2016, and paid by February 2017, the first fiscal year impact will be FY16-17.
- Pursuant to the provisions of Tenn. Code Ann. §§ 67-5-702 to 67-5-704, there shall be paid to certain low income elderly taxpayers, low income disabled taxpayers, and disabled veterans or their eligible surviving spouses, the amount necessary to pay or reimburse such taxpayer for all or part of the local property taxes paid for a given tax year on a property that the eligible homeowner owned and used as the their residence from the state's general fund.
- Tax relief payments are made to eligible homeowners to reimburse the taxpayer for local property taxes paid by the homeowner; therefore, it is assumed that all applicable local property taxes have been paid at the time tax relief payments are submitted to eligible recipients.
- Any change in property tax revenue received by the applicable local government entities is estimated to be not significant.

Assumptions relative to Excluding Federal Disability Payments for Disabled Veteran Homeowner Property Tax Relief:

- Based on information from the Comptroller's Office, the precise impact of removing federal disability payment income from the calculation of income that enables Tennessee's eligible population of disabled veterans or their surviving spouses to receive property tax relief as a result of the bill as amended is not available; however, it is estimated that the number of eligible taxpayers will increase as a result of the bill as amended.
- Based on information from the Comptroller's Office, complete removal of the current \$60,000 income limit for such taxpayers property tax relief as codified in Tenn. Code Ann. § 67-5-704, would increase state expenditures by an estimated \$602,400.
- Based on information from the Comptroller's Office, it is estimated that the fiscal impact of the bill as amended, will increase state expenditures in an amount less than \$602,400, but greater than \$100,000; therefore, the recurring increase in state expenditures is reasonably estimated to exceed \$100,000.

Assumptions relative to Value Limits on Disabled Veteran Homeowner Property Tax Relief:

- According to the Comptroller's Office (COT), using prior years' data, it is estimated that 20 percent of eligible disabled veterans and surviving spouses are 75 years of age or older.
- Based on information from COT, if the assessed property value limit was increased from \$100,000 to \$125,000 in FY15-16 for all disabled veteran and surviving spouse property

tax relief recipients, the projected amount state expenditures would have been \$1,873,153.

- Limiting the \$125,000 assessed property value limit to disabled veteran and surviving spouses property tax relief recipients 75 years or older will result in a recurring increase in state expenditures estimated to be \$374,630 ($\$1,873,153 \times 0.20$).

Assumptions relative to Low Income Elderly and Disabled Homeowner Property Tax Relief:

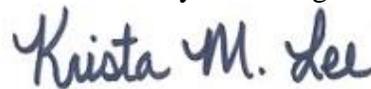
- Based on actual 2014 property tax relief data provided by the Comptroller, the calculated amount of property relief at a \$23,500 assessed property value limit would have been \$17,851,179 in 2014 for low income elderly and disabled homeowners.
- Based on actual 2014 property tax relief data provided by the Comptroller, the calculated amount of property relief at a \$23,000 assessed property value limit would have been \$17,492,028 in 2014 for low income elderly and disabled homeowners.
- Based on the growth rate in property tax relief payments over the last three years to low-income elderly and disabled homeowners, the impact to these populations have been projected forward to FY16-17 using an annual growth rate of two percent in order to determine the estimated increase in tax relief payments if the current \$23,000 property value limit is increased to \$23,500.
- Projecting the estimated property tax relief from 2014 at each property valuation for these populations forward to FY16-17 will result in \$18,572,367 ($\$17,851,179 \times 102.0\% \times 102.0\%$) of property tax relief at the \$23,500 property value limit and \$18,198,706 ($\$17,492,028 \times 102.0\% \times 102.0\%$) of property tax relief at the \$23,000 property value limit.
- The recurring increase in state expenditures for low income elderly and disabled homeowners for property tax relief from the General Fund is estimated to be \$373,661 ($\$18,572,367 - \$18,198,706$) beginning in FY16-17.

Assumption relative to the total impact of the bill:

- The total recurring increase in state expenditures beginning in FY16-17 from the General Fund resulting provisions of the bill as amended is estimated to exceed \$848,291 ($\$100,000 + \$374,630 + \$373,661$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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