

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

HB 793 - SB 1226

March 3, 2015

SUMMARY OF BILL: Codifies current common law on the transferability of future interests of defeasible estates.

ESTIMATED FISCAL IMPACT:

On February 22, 2015, a fiscal note was issued without a commerce impact statement. The bill was subsequently put on notice in the Commerce and Labor Committee of the Senate. This fiscal note is being corrected to include an Impact to Commerce Statement. The fiscal analysis of the original fiscal note dated February 22, 2015 has not changed.

NOT SIGNIFICANT

Assumptions:

- The bill codifies current common law relative to the transferability of future interests of defeasible estates. A grantor creates a defeasible estate when he/she transfers land conditionally.
- The two most common defeasible estates are fee simple determinable and fee simple subject to condition subsequent. The future interests of these estates are possibility of reverter (fee simple determinable) and right of entry/power of termination (fee simple subject to condition subsequent).
- The bill prohibits the transfer of a possibility of reverter or a right of entry/power of termination by a holder other than the original grantor of the defeasible estate, unless the holder transfers the future interest to the holder of the defeasible estate for the purpose of merging the interests in any grantee.
- The Administrative Office of the Courts confirms that the bill will not significantly impact the courts' caseloads.
- As it is codifying existing common law rules, it is assumed that the bill will not significantly impact the operations of county clerks or registers of deeds.

IMPACT TO COMMERCE:

NOT SIGNIFICANT

Assumptions:

HB 793 - SB 1226 (CORRECTED)

- The bill codifies current common law relative to the transferability of future interests of defeasible estates, which has stood for almost 50 years.
- It is assumed that Tennessee businesses operate under the current common law relative to these property transfers.
- Codifying the common law will not significantly impact business operations in Tennessee.

CERTIFICATION:

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



Jeffrey L. Spalding, Executive Director

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