TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 1796 - HB 2156

March 14, 2016

SUMMARY OF 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.

ESTIMATED FISCAL IMPACT:

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

Assumptions:

- Based on information from the Comptroller's Office (COT), current software modifications of software are necessary to calculate the different property tax value limits and annual income limits.
- The one-time cost to develop and deploy the software is estimated to be $8,950 ($7,065 development + $1,885 testing/quality assurance).
- According to the COT, the overall CPI-U for 2015 was 0.1 percent.
- Any increase to property value limits resulting from annual CPI-U adjustments are estimated to be not significant in the short term.
- Based on information from the COT, removing the current $60,000 income limit from the provision of tax relief for disabled veteran and surviving spouse homeowners' property tax relief would increase state expenditures an estimated $602,423 in FY16-17.
- Based on information from the COT, replacing the current $60,000 income limit with a sliding scale based on income to be used in the calculation of assessed property tax

values will lead to an increase in state expenditures in an amount less than the amount estimated if the limit was repealed.

- Instituting a sliding scale based on income to calculate the assessed property values of disabled veteran and surviving spouse homeowners' property tax relief will result in a recurring increase in state expenditures estimated to range between $0 and $600,000. For the purpose of the fiscal note, and taking into account future property valuations based on the CPI-U, the recurring increase in state expenditures is reasonably estimated to exceed $200,000.
- The increase in state expenditures for FY16-17 is estimated to exceed $208,950 ($200,000 + $8,950); and the recurring increase in state expenditures for FY17-18 and subsequent years is estimated to exceed $200,000.

CERTIFICATION:

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

Krista M. Lee

Krista M. Lee, Executive Director

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