

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1356 - SB 1365

March 19, 2019

SUMMARY OF BILL: Requires Roane County and the City of Kingston to calculate interest applied to certain delinquent property taxes at a lower rate for certain tax years until January 1, 2021.

ESTIMATED FISCAL IMPACT:

Decrease Local Revenue – Exceeds \$132,900/One-Time

Assumptions:

- Public Chapter 370 from 2013 provided:
 - Property that was demolished, impaired, or substantially damaged as a result of the coal ash spill would only be assessed interest on delinquent property taxes at the composite prime rate published by the Federal Reserve Board, minus two points, as of the delinquency date of the property taxes.
 - In order for such property to be eligible for relief, the property owner had to have sought legal action against the Tennessee Valley Authority.
 - Eligible property owners were required to apply with the appropriate collecting official by September 1, 2013 in order to qualify for such relief.
 - Such relief was only calculated for interest imposed in tax years 2009 and 2010.
- The proposed legislation is:
 - Applicable only to properties which were eligible for relief under P.C. 370 and applied for such relief prior to September 1, 2013.
 - Applicable retroactively to tax year 2009.
 - Effective until January 1, 2021. Given that property tax notices will be sent to taxpayers in late 2020 and paid by February 2021, the final fiscal year impact will be FY19-20.
- For purposes of this analysis, it is assumed eligible property owners would have applied and been awarded relief for interest charged in FY09-10 and FY10-11 under P.C. 370.
- Roane County and the City of Kingston currently assess an annual rate of 18 percent interest against delinquent property taxes.
- The proposed legislation would require such interest to be calculated utilizing the composite prime rate published by the Federal Reserve Board, minus two points, for the respective tax year for which such property taxes are delinquent. The prescribed interest rate varies each year and has ranged from 1.25 to 3.50 percent.

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- Based on information provided by the Comptroller of the Treasury (COT), the following table illustrates what is estimated to be due to Roane County from applicable property owners under current law and the proposed legislation:

	Interest Due at 18%	Interest Due Under Proposed Language
FY11-12	\$85	\$6
FY12-13	\$429	\$30
FY13-14	\$2,409	\$167
FY14-15	\$9,164	\$636
FY15-16	\$20,244	\$1,687
FY16-17	\$14,018	\$1,363
FY17-18	\$10,698	\$1,486
Total Due	\$57,047	\$5,375

- The decrease in local revenue for Roane County, for FY11-12 through FY17-18, is estimated to be \$51,672 (\$57,047 - \$5,375), or an average of \$7,382 per fiscal year.
- Delinquent property taxes owed for FY18-19 and FY19-20 are unknown; but estimated to remain constant based on the average running FY11-12 through FY17-18.
- It is estimated the proposed legislation will result in a mandatory one-time decrease in local revenue for Roane County of \$66,436 {[((\$51,672 + \$7,382) in FY18-19) + \$7,382 in FY19-20]}.
- The amount of delinquent property taxes due to the City of Kingston are unknown, but estimated to be at least that of Roane County, resulting in a total mandatory one-time decrease in local revenue exceeding \$132,872 (\$66,436 Roane County x 2).

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

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